U.S. News & World Report

The United States News & World Report

JUNE 17, 1955 20 CENTS

WHERE BUSINESS IS BEST IN U. S. NOW

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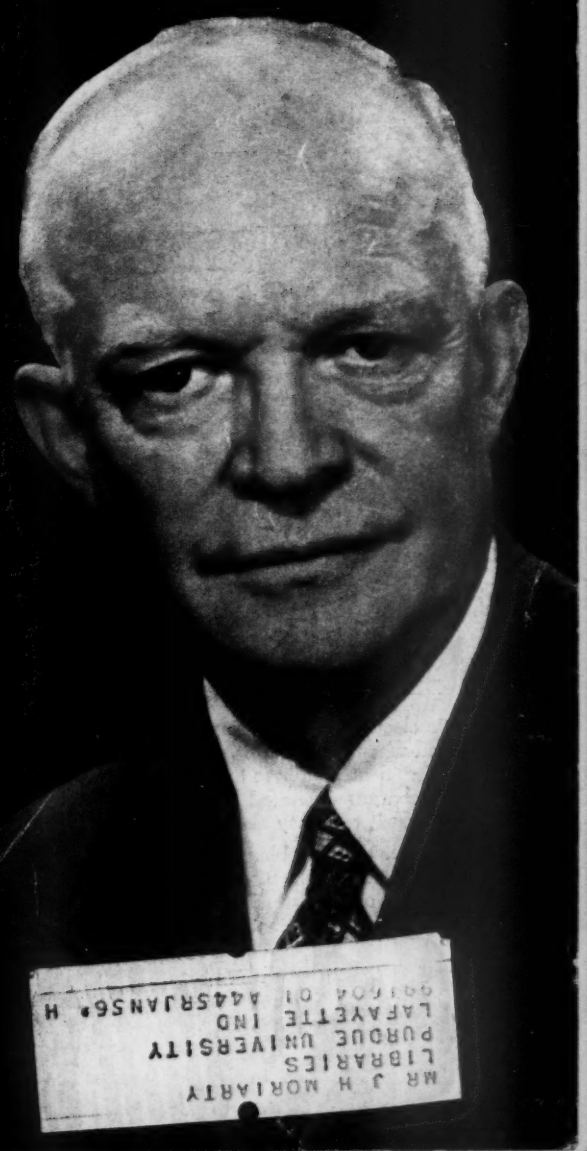
WHY IKE WILL RUN AGAIN



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Photograph by Barton Mac

It makes your hair stand on end!

Static electricity plays many "tricks." It makes your hair crackle and stand on end when you comb it. But some of its other tricks are not so amusing. It causes dust to adhere to many surfaces, making them hard to keep clean. Static charges generated by friction in machines or materials are potential fire hazards and may also interfere with processing operations!

To solve these problems, Cyanamid research has developed an antistatic agent called Cationic SP which can be incorporated in plastics, paints, waxes, paper and other materials to prevent the accumulation of static on their surfaces. Its use eliminates the annoyance caused by static electricity in a variety of articles made for everyday use. For example, polished surfaces treated with Cationic SP are easier to keep clean. This new material also contributes to greater safety and efficiency in the manufacture of many products.

Here is another of many ways in which Cyanamid chemistry is helping to make life safer and pleasanter for all of us at work and at home.

AMERICAN *Cyanamid* COMPANY

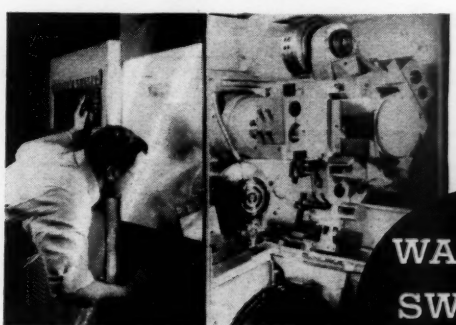
30 ROCKEFELLER PLAZA, NEW YORK 20, N.Y.

June Commencement

WHAT has happened in Detroit this first week of June can be (as it is hailed) a great benefit to labor—or a national tragedy, for everyone including labor. One thing and one only will decide—will labor fully, actually *earn* its new benefits? Laboring men *can* do so only if management provides the newest machines to make possible the more efficient production to make possible the new labor contract.

Without that more efficient production, all the contracts in the world will fail—because higher costs will rob labor of its gains, rob the public of its savings, rob the nation of its safety—for no nation in depression can ever be safe.

The contract is only so much paper until management and labor *make it work.* Labor may have won a victory, but—it assumed *an even greater responsibility.*



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IN THIS ISSUE

★ Latest Health Findings: New Cures In Sight?

For details about developments that could affect your family's health, see: What scientists are finding about smoking and lung cancer, page 45. . . . How drugs offer dramatic hope for mental patients, page 77. . . . The inside story of difficulties in the polio-vaccine program and changes being made, page 40.

★ Will Ford Contract Be a Pattern for Industry?

Here's a close look at what Ford and the auto union agreed to, page 104. An analysis of its effect on other firms, page 28. And text of the Reuther-Bugas press conference, page 97.

★ The Men Who Must Enforce "Desegregation"

This is the story of the judges who are now charged with carrying out any moves toward "mixed" schools. For the facts on who they are, the problems they face, see page 36.

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COVER: President Dwight D. Eisenhower. See page 19. (USN&WR Color Photo)

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THE UNITED STATES NEWS

WORLD REPORT

U. S. WEEKLY
Three Titles Reg. U. S. Pat. Off.

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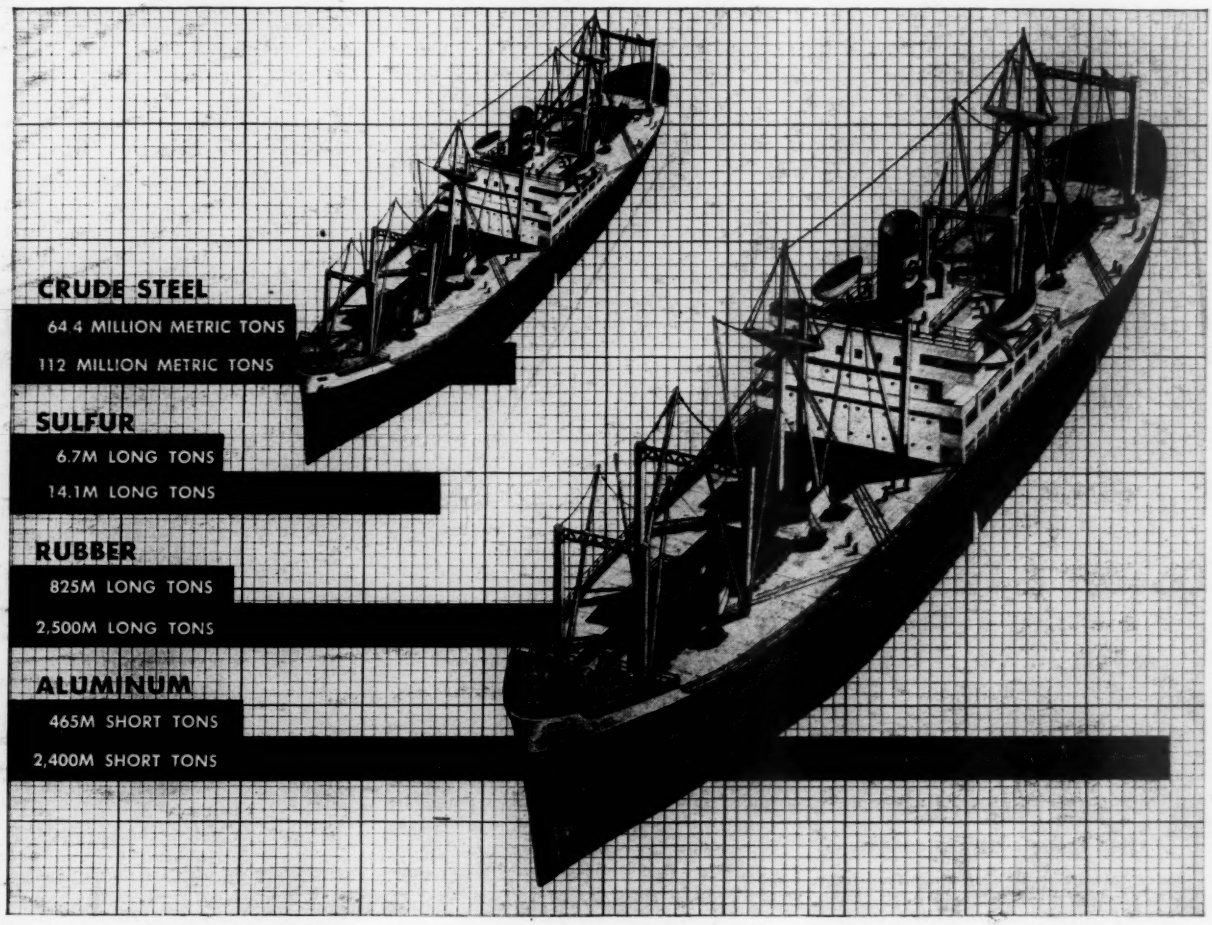
How big a foreign market... in 1975?



415% more aluminum...74% more crude steel... 203% more rubber ...110% more sulfur—are careful estimates* of the increases in materials demand that are likely to occur in the nations of the free world outside of the U. S. during the period from 1950 to 1975.

These estimates are based on projections of population increases in industrialized countries, improvements in technology in certain backward areas and rising living standards in many lands. They indicate the possibilities for the employment of American capital and expansion of sales of U. S. goods, materials and services beyond our borders.

An indispensable ingredient in the successful development of commercial opportunities outside of the U. S. is the assistance of a bank with world-wide connections and a depth of experience in foreign transactions.

The Bank of New York's Foreign Department maintains correspondents all over the free world and serves American businessmen engaged in almost every classification of foreign trade.

Founded 171 years ago, this Bank offers a wide range of banking services geared to the competitive needs of corporations in this country and abroad.

*Estimate taken from *A Report to the President by The President's Materials Policy Commission*

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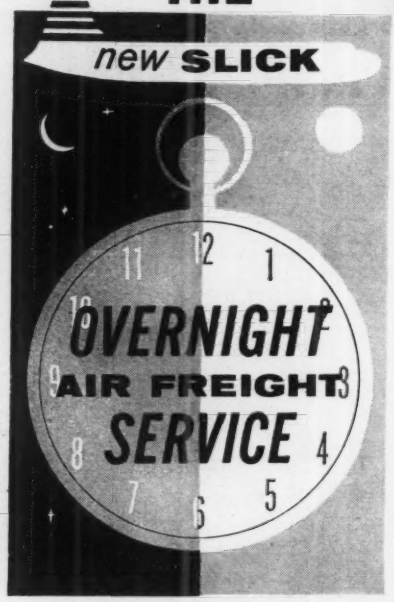

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The March of the News

ATOMIC WONDERS

SOME ATOMIC SURPRISES were suggested by Lewis L. Strauss, Chairman of the Atomic Energy Commission, in testimony before a congressional committee. Much of what Mr. Strauss had to say was secret, but these hints were released:

AEC wants to double its expenditures for work on atomic-powered airplanes, budgeting nearly 38 million dollars for this purpose next year. "Rapid strides" have been made in this field, and also in research on atomic ships.

The Navy, according to Mr. Strauss, can look forward to the day when an entire task force can "operate at full speed without refueling for an indefinite period."

In the biological field, AEC testimony suggested that someday man can use sunlight to make food out of air and water. Dr. John C. Bugher, Director of the Commission's Division of Biology and Medicine, said scientists at Oak Ridge had carried on "a certain amount of this type of utilization of sunlight outside the living cell in a very small and tentative way."

JETS FOR TOURISTS

JET PASSENGER PLANES that could fly from New York to Paris in six and a half hours, and from Los Angeles to New York in four and a half, were getting out of the dream stage. Douglas Aircraft Company plans to have such planes ready for service by 1959. Now under construction, the Douglas entry in the jet race would carry 80 to 125 passengers; fly as fast as 550 miles per hour.

Boeing Airplane Company has a similar craft which has made more than 100 test flights, but it was designed as a tanker for the Air Force. Lockheed Aircraft Corporation is concentrating on four-engine turboprop planes—jet plus propeller—and expects to deliver 35 of them to American Airlines late in 1958.

LONDON—LOUD AND CLEAR

A 2,250-MILE CABLE under the sea is expected to make telephone calls between the U. S. and Britain as clear and free of static as a call next door. The cable, to be laid this summer, will enable Americans to speak to Britons by direct wire, instead of the present radio-telephone.

To accomplish this, the HMS *Monarch* will sail from Clarenville, Newfoundland, to Oban, Scotland, at a sedate six knots, dropping the cable in her wake.

Planned for 20 years the 40-million-dollar project will be financed by the American Telephone & Telegraph Company, the British Post Office and the Canadian Overseas Telecommunication Corporation.

RAILROAD SAFETY RECORD

RAILROAD MEN TOTTED UP their casualties for the year 1954; found it the second-safest year in railroad history, with a fatality rate of .07 per 100 million passenger miles. Only five persons lost their lives in train accidents last year, the Association of American Railroads reported. Sixteen others were fatally injured while boarding, alighting, jumping or falling from moving trains.

SURPLUSES—UP

THE TAXPAYERS' STAKE in farm commodities, bought and stored by Government to keep farm prices up, reached 7.3 billion dollars on April 30, 1955, the Agriculture Department revealed. That figure reflected an increase of 1.2 billion over 1954.

Of the new total, about 2.7 billion dollars represent outstanding loans; the rest, actual commodities owned by the Government. These vast inventories include: 889 million bushels of wheat, 603 million bushels of corn, 1.7 million bales of cotton and 329 million pounds of butter.

NEW YORK CHALLENGED

THE PORT OF PHILADELPHIA was creeping up on New York as the nation's No. 1 funnel for foreign commerce. Philadelphia's share of the national export-import total reached 15.5 per cent last year, with 32,833,811 short tons handled. New York remained out in front by a narrowing margin; handled a total of 35,864,300 short tons.

POLIO REPORT

CASES OF POLIO among children vaccinated with Salk vaccine had mounted to 146 by June 10. Of these, 97 were paralytic cases.

Among families of vaccinated children, cases totaled 81, and there were 22 cases among other persons who had been in contact with vaccinated children.

For the nation as a whole, the Public Health Service reported 1,480 cases since April 1, with 586 paralytic cases. Comparable figures for 1954: 1,357 cases of polio; 522 paralytic.

SHARING THE NEWS, as the William H. Zins family is doing here, is just one of the many uses of the telephone. Its daily use is closely interwoven in our personal lives, health and safety and in the whole fabric of our social and business activities.

More and More Families have TELEPHONES

...and there are more and more families to want them!

We are in a period of the greatest expansion telephone service has ever known. In the few years since the war the Bell System has grown about as much as it had during the whole previous 70 years of its existence.

More and more families have telephones and there are more and more families to want them. We Americans are increasing tremendously in numbers. We are building and living in more homes. We are spreading out to the suburbs and our suburbs are covering much wider areas. Clearly our present-day kind of life steps up the need for communication services.

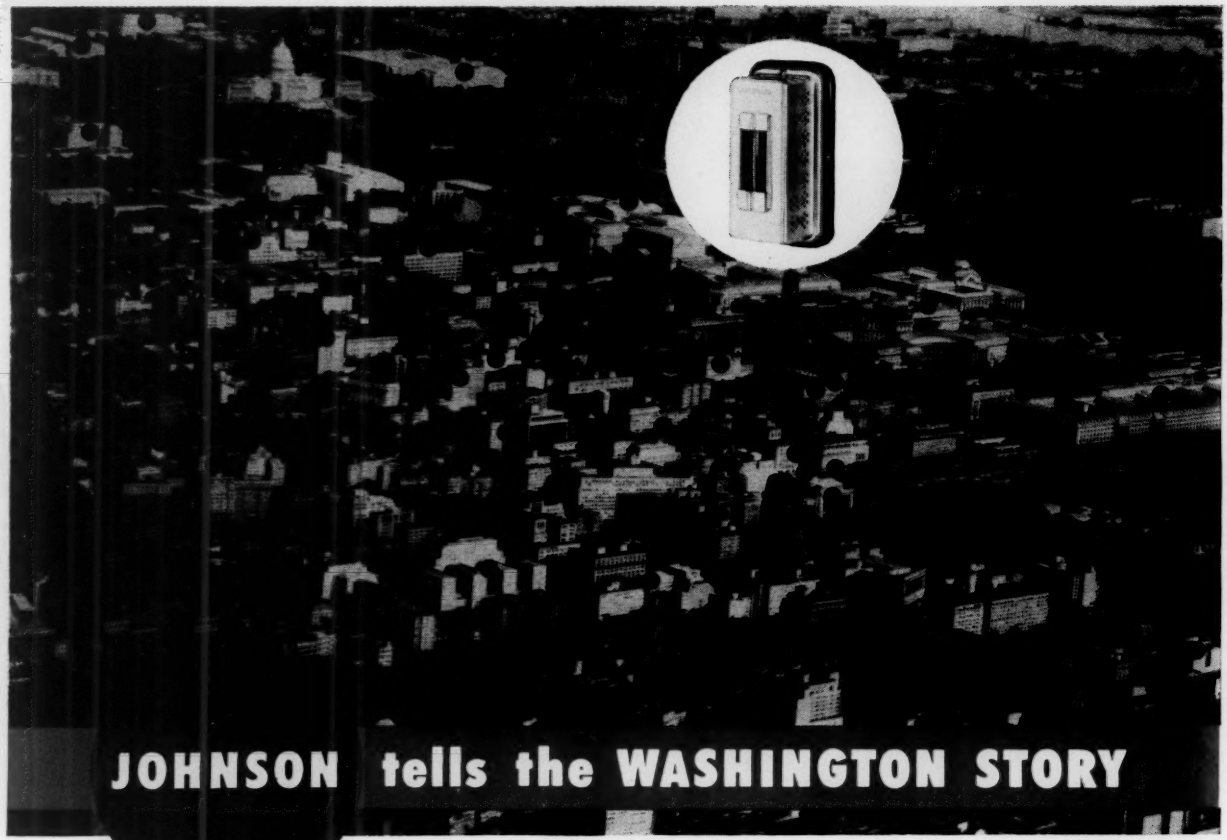
Through the post-war years, the Bell System has added more than 22,000,000 telephones, bringing the present total to over 44,000,000.

Despite this tremendous increase in telephone service, we still have a great deal to do. It is our desire not only to keep abreast of the public's telephone needs at all times, but also to anticipate those needs just as much as we can.

We intend in every practical way to fit our services to the individual needs of each customer.

As we make our service better and faster—as we make it more attractive and even easier to use—that will stimulate additional use of the telephone. In short, the better we do our job, the more of it we shall have to do.

BELL TELEPHONE SYSTEM



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OFFICES, HOSPITALS, UNIVERSITIES

In addition to many federal office buildings, most of Washington's new private office buildings also have Johnson Control—fine buildings like the Cafritz Building, Acacia Mutual Life Insurance Co., Editors Building, Pennsylvania Building and the Maiatico Building. So do all the important new hospital buildings and most of the older hospitals . . . the impressive Clinical Center and other buildings at the National Institutes of Health . . . many of the buildings at Georgetown, George Washington, American, Catholic and Howard Universities.

YOUR OWN BUILDING

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A LOOK AHEAD

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Here are a few things to bear in mind when thinking of the future:

Pay raises are being scheduled by industry for three years ahead.

Industry, under union pressure, is assuming heavy new costs. Ford, for example, is assuming added costs of 20 cents an hour this year, rising to 32 cents an hour by 1957. That's for wage earners. Salaries will go up too.

Prices, almost surely, will reflect at least part of added costs.

The trend, in other words, still is toward moderate inflation. Unions are forcing inflation of wage rates for organized workers. Inflation in pay scales, in turn, is putting upward pressure on many prices.

Steel-industry wage rates, about to be raised, will be followed by a rise in the price of steel. Higher steel prices will add to costs of a wide range of industries. Cost increases, usually, will result in price rises.

Auto-industry costs are likely to go up around $70 per car. That's due to wage increases in autos and price increases in sight for materials. Car prices, as a result, are likely to go up. Either that or marginal producers of cars will be in serious trouble. It'll be the same in many industries.

Building costs keep creeping up. Building labor is getting increases. Building materials are going to reflect wage rises in other industries.

There's a current of inflation still running that may lead to trouble at some point--when and if price rises, due to wage rises, meet resistance.

Cost of living generally, however, isn't likely to rise much, if any. Living costs are being affected right now by a crosscurrent of pressures.

Food, for example, is tending to be a little cheaper. Meat prices are reflecting lower prices of cattle and of hogs. Clothing prices are stable, not higher, even though demand is rising. Shoe prices aren't changed much.

Rents show signs of easing somewhat. Fuel costs, though, are edging up a trifle. Transportation costs a bit more. Medical costs are somewhat higher. Where costs are creeping up, they tend to be offset by costs that ease down.

The payroll dollar, in other words, apparently will not change much in buying power in the foreseeable future. The dollar looks good at this level.

You get an idea of long-range trends from the Ford experience.

In 1914, a Ford worker was paid $2.34 for a nine-hour day. Pay, that year, was raised to $5 for eight hours of work--a revolution. That was a jump from around 27 cents an hour to 62 cents an hour, all at once.

One war and 25 years later, straight-time pay averaged 75 cents an hour. That was in 1939. Another war and six years later, pay was up to $1.10. That

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was straight time, and so-called "fringe" benefits did not amount to much.

Round after round of pay rises followed. In 1955, before the latest round, Ford's straight-time pay averaged above $2.13 an hour--just about double that of 1945. Fringe benefits--pensions, health insurance, paid vacations, paid holidays, hospitalization--added 48.5 cents. Total: $2.62 an hour, or more than a worker got for nine hours of work in 1914.

Straight-time pay now will go to $2.20 an hour. Fringe benefits will rise 14 cents an hour, to 62 cents. Total: $2.82 cents for an hour of work.

And, included is 5 cents an hour as a sleeper--pay for not working. That's something new for unions to bargain for. It is the start of pressure to force industry to pay workers in periods when there is no work to do.

What it all appears to add up to, when looking ahead, is this:

Small, struggling companies will face new troubles. Big, well-heeled companies will gain added competitive advantages in the struggle to stay in business. Merger trends, very probably, will be accentuated.

A growing premium will be placed upon economy in use of workers.

Barriers to the start of new enterprises in unionized industries will tend to rise higher. Established firms will gain added protection.

Industry, accepting the principle of pay for not working, will face some difficulty in resisting pressure from farmers to get pay for not growing crops. Unions are getting themselves a "Brannan plan" for workers.

It's all sort of crazy to persons with old-fashioned ideas.

Ike is finding it difficult to get Government finances in order, too. What Eisenhower is discovering, like other Presidents before him, is this:

Defense is very expensive. It comes to $40.4 billions a year now. You can't cut that much in today's kind of world. Built-in charges are there as well--interest, veterans' benefits, grants to States, farm supports. They now come to 14.8 billion dollars a year. How can they be cut?

Hard to cut: 55.2 billion dollars a year. All other: 7.2 billion.

But: You can't cut out all of that. The whole cost of the ordinary departments of Government is under 1 billion. If all nonmilitary foreign aid is knocked out, that would save only 1.2 billions. Cutting isn't simple.

The result: At least a 60-billion budget in the foreseeable future.

Taxes, even so, are going to be cut next year. Prosperity is going to be depended upon to provide the rising income to tax to get the rising amount of revenue needed to bring Government finances into better order.

Government, in other words, is on the side of anything that will keep incomes going up--anything to provide more that can be taxed.

Demand for stocks, still high, reflects the widespread feeling of people with money that there is an inflationary current running.

Stocks, however, may no longer be bargains at present levels. It is not wise to rush in to buy without thorough knowledge and good advice.

War scares keep fading. It's hard to be frightened by the world's No. 1 Communist who gets drunk in public. It's difficult, too, to remain scared of Chinese Communists who lack means to hurt U.S., but who can be hurt by U.S.

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Washington Whispers®

[Items appearing on this page are reported in Washington and other news centers]

Did Republicans Snub Truman? . . . Short Life Predicted For Khrushchev . . . Nixon Misses Signals on Big 4 Talks

President Eisenhower, when he goes to Europe in July, plans to make at least two major addresses, one possibly in Great Britain, which will be designed to correct many of the wrong impressions about the United States that prevail in Europe.

★ ★ ★

A personal invitation has come to Ike to address the British people while in England, utilizing the full facilities of radio and television.

★ ★ ★

Sherman Adams, staff chief to the President, is being credited with issuing an order that White House aides no longer are to discuss the subject of a second term for President Eisenhower. Just prior to that order, some important aides to the President were predicting confidently, in private, that Mr. Eisenhower would accept a draft.

★ ★ ★

Ike is being advised that, in the give and take of repartée while a "draft-Eisenhower" move is shaping, he should do or say nothing that would give an impression which would picture the Presidency as anything other than the most honored position any man could hold.

★ ★ ★

Harold Stassen, the President's aide in charge of disarmament plans, is being talked about by Republican leaders for No. 2 place on an Eisenhower ticket in 1956 if, for any reason, the rivalry between William Knowland and Richard Nixon in California makes a change in the present team seem wise politically.

★ ★ ★

Clare Boothe Luce, Ambassador to Italy, has made it clear to friends that she is not interested in a Cabinet job as Secretary of Health, Education and Welfare when that job is given up by Oveta Culp Hobby. The President is continuing to look for a woman, rather than a man, to fill that Cabinet post.

★ ★ ★

Lyndon Johnson, Texas Senator and Senate Democratic Leader, is under increasing fire from the New Deal wing of the party for not taking a more aggressive stand in Congress against the Eisenhower policies. Older heads in the party, however, counsel the wisdom of shaping a course designed primarily to preserve Democratic control of Congress after 1956.

★ ★ ★

New Deal Democrats are pictured by conservative Democrats to be somewhat at a loss to name the issue that in 1956 can beat the one of "peace and prosperity" to be offered to voters by the Republicans.

★ ★ ★

Harry Truman, former President who helped to launch the United Nations, first was offered only a seat on the platform during celebration of the tenth anniversary of that organization. Mr. Truman's friends feel he has been snubbed by the Eisenhower Administration and that he should have been invited originally to make a speech.

★ ★ ★

Richard Nixon, Vice President, missed his signals when he pictured the coming conference of Eisenhower with Eden, Bulganin and Faure as civilization's last chance to avoid nuclear war. The official White House line is that this meeting is really to be routine and that it may take a generation of talks before world problems get resolved.

★ ★ ★

This story is being told of Russia's Nikolai Bulganin in Yugoslavia: Bulganin, just before going to Yugoslavia, bought cloth in Moscow to be made into a coat and a pair of pants. There wasn't time to have the suit made in Russia, so he took the cloth to a Yugoslav tailor in Belgrade. The tailor told the Russian Premier he could make him a coat and two pairs of pants. Surprised, Bulganin asked how this tailor could make two pairs of pants, when in Moscow it could only be one pair. Said the tailor: "It must be because you are not quite as big a man as you were when you left Moscow."

★ ★ ★

Nikita Khrushchev, Russia's No. 1 man, now is labeled abroad as an individual who both drinks and talks too much. High officials in other countries are beginning to predict a short life for him.

★ ★ ★

If Communist China continues to behave, there may be some relaxing of barriers to shipment of American goods to that country. Some high Administration officials are giving hints to that effect to reporters.

★ ★ ★

V. K. Krishna Menon, India's undercover man, is not fooling the White House, where his maneuvering around the world is regarded with the deepest suspicion. Menon has a long reputation of working to help the Communist countries in their opposition to the U. S.

★ ★ ★

Neutrals in South Asia are finding that it takes a lot of traveling to maintain "neutrality." Premier U Nu of Burma, a visitor to Peiping, now is on his way to U. S. for a state visit. Premier Ali Sastroamidjojo of Indonesia, just back in his country from a visit to Communist China, is anxious to get an invitation to visit U. S., too.

His taste is changing . . . how about yours?

He's Mr. John Q. Public. And his appreciation for the better things in life is on the upswing. He's becoming a connoisseur of hi-fi sound, fine music and modern decor. Even his drinking habits are changing.

He's developing more of a taste for straight and bottled-in-bond quality whiskies. According to a recent market survey, last year he again bought more "straights" and "bonds" than during the previous year. Experts predict that over the next few years an even higher percentage of these fine whiskies will be sold.

National's great "bonds", Old Grand-Dad, Old Taylor, Old Crow and Old Overholt—each produced under its own formula, exclusively in its own distillery—are winning ever wider acceptance among discriminating drinkers. Smooth, mellow Old Crow and Old Taylor "straight" are becoming increasingly popular and continue to set new sales records. Years of consistent product integrity have solidly established the prestige of these famous brands wherever quality is a criterion.

These distilled beverages, and the others listed below, represent only one of National Distillers' diversified interests. Other activities of the Corporation include the production of petrochemicals, solvents, intermediate and industrial chemicals.

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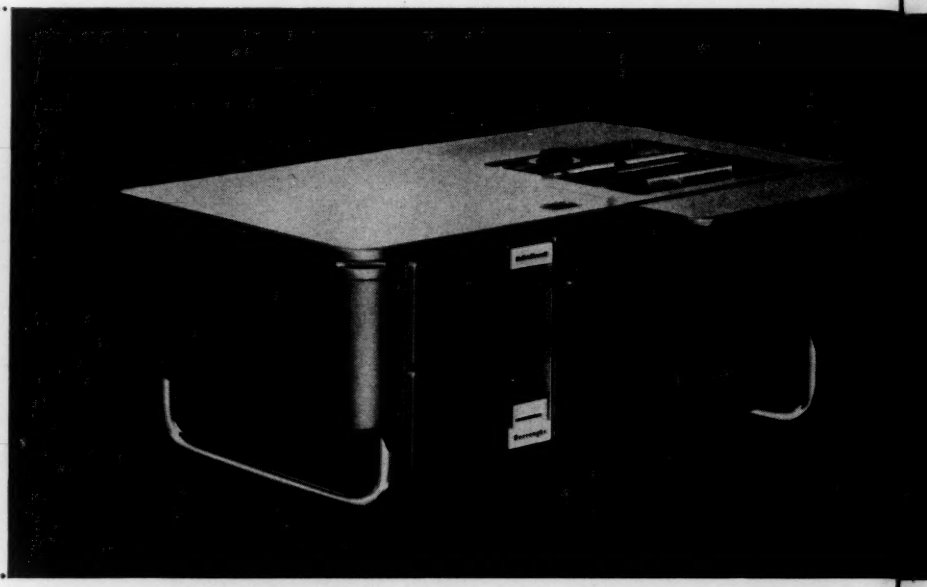
Now! New! What'll

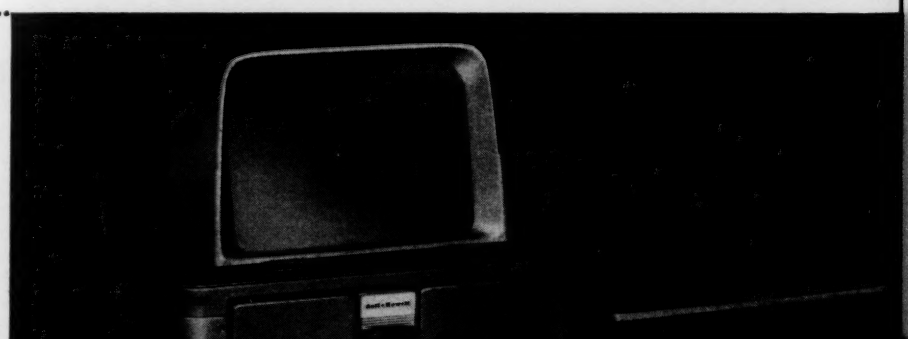
The New Model 205 Microfilm Recorder

For situations where you want a separate recorder, we recommend this compact equipment. It's actually a Micro-Twin with the Reader removed, thus giving you extra working space. See right-hand column for details.



The Micro-Twin Recorder-Reader

Here is the revolutionary new microfilming machine that has put the penny back into business! Imagine . . . you get a recorder and reader in one unit for less than you'd expect to pay for a recorder alone!



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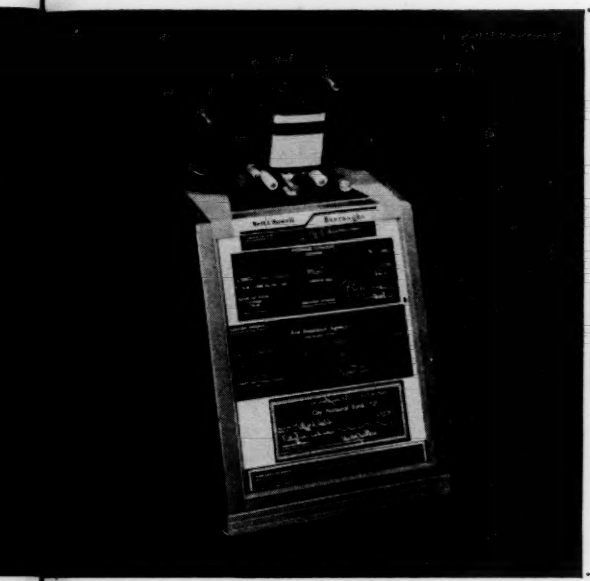


The New Model 206 Microfilm Reader

For times and places where separate Readers are needed. This handy portable Reader weighs only 16 pounds, projects 8-, 16-, or 35-mm. film with the same lens and film guide. The image can be completely rotated on the reader screen.

Look at these Burroughs-Bell & Howell microfilming features!

AUTOMATIC ENDORSING with the new automatic check endorser. Clean, fast, easy, accurate endorsing during microfilming. No more partial endorsements or total blanks. Always complete, distinct, and in the proper position.

AUTOMATIC FEEDING with the optional Acro-Feeder. Feeds documents into the Micro-Twin or Model 205 Recorder as fast as operator can prepare. Fast hand-feeding at a high recording speed, too.

EXCLUSIVE INDEXING METER facilitates rapid location of desired items. One dial indicates movement of film through camera, the other shows movement of film through viewer.

LOW FILM COST—Record front and back of document side-by-side simultaneously, or print down one half of film and up other half.

CHOICE OF LENSES—Either 37 to 1 reduction ratio camera lens, or 24 to 1 lens for hard-to-read material, is available in both the Micro-Twin and Model 205 Recorder. Your choice of interchangeable 37 to 1 or 24 to 1 lenses in the Model 206 Reader too.

CLEAR VIEWING—even at high noon! And to make facsimile prints in the Micro-Twin, just place photocopy paper in the viewer and process the print in a moment. You don't even need a darkroom!

We've got the low-cost answers to your microfilming problems!

If you keep records, here's the greatest microfilming news in years!

Whatever your needs, Burroughs and Bell & Howell bring you a new, modern, low-cost line of microfilming equipment to do the job quickly, efficiently and economically.

The bellwether, of course, is the marvelous Micro-Twin Recorder-Reader in one unit. Businesses of every size and description find it gives them a complete microfilming system at a price never before possible—in fact, for *less than they had expected to pay for a recorder alone!*

Two All-New Products!

Now, to accommodate the needs of every firm, in every situation, we proudly present the new Model 205 Recorder and the new Model 206 Reader. These great new units give complete flexibility to your record-keeping operations.

Now, more than ever before, when you think of microfilming, think of Burroughs! For a demonstration, call our nearest branch office—listed in your phone directory. Burroughs Corporation, Detroit 32, Michigan.

WHEREVER THERE'S BUSINESS THERE'S **Burroughs**

"Burroughs" and "Micro-Twin" are trade-marks

Burroughs B

PEOPLE ★ ★ ★

OF THE WEEK

› HENRY FORD II, in agreeing to pay cash benefits to laid-off workers, follows a tradition of "industrial revolution" in the Ford family. His grandfather jolted American industry in 1914 by boosting the pay of Ford workers from $2.34 to $5 a day. That bombshell sent 10,000 job seekers swarming to the Ford plant at Highland Park, Mich., brought out firemen with hoses to chase them away, caused the elder Ford to be denounced as an "anarchist."

No such epithets have been hurled at Henry II. But he expects criticism from some manufacturers, bankers, politicians; hopes his decision to go along with the CIO Auto Workers on a step toward an annual wage will be vindicated by greater labor stability in the auto industry, more prosperity for the U. S.

Mr. Ford, 37, amiable, hard-working, took over control of the billion-dollar Ford auto empire after World War II during the illness of his grandfather. The company was showing signs of tottering for the first time since its founding in 1903. Young Mr. Ford ordered a vigorous modernization and expansion program which, by 1958, will have cost an estimated 2.3 billion dollars. One result: Ford this year was able to claim a slight lead over Chevrolet in their annual race for sales supremacy.

› BLUNT NEW SPOKESMAN for the 153,000-member American Medical Association is **Dr. Elmer Hess,** a specialist in urology. Foe of centralized authority of Government and advocate of the "dignity of the individual," the athletic, 66-year-old AMA president can be expected to maintain its policy of rugged resistance to "socialized" medicine.

Dr. Hess started his medical career in 1911 as resident physician at the Indian School in Carlisle, Pa., kept a close watch over the training of Carlisle's future Olympic champion, Jim Thorpe. Later, as a general practitioner in Erie, Pa., he netted $800 in his first year, lost his winter overcoat betting he could take the measure of the local poolroom shark at billiards. He still buys his clothes from the merchant who honored his promise of future payment for a new coat. After service as a medical officer at the front in France during World War I, he opened his own clinic in Erie, is regarded as one of the leading men in his specialty.

At the AMA convention in Atlantic City last week, Dr. Hess puffed calmly at a cigarette while listening to a report branding cigarette smoking as a principal cause of lung cancer, big killer of American men. A pack-a-day smoker, Dr. Hess gave up the habit a year ago, then went back, says: "I'd rather live 25 productive years, enjoying the pleasure of tobacco, than live 40 years as a potato."

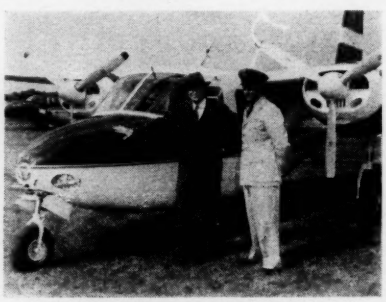
› JAMES P. RICHARDS is speaking up with increasing vigor about events that touch upon his responsibilities as chairman of the House Foreign Affairs Committee. After 22 years in Congress, the South Carolina Democrat is taking the advice of friends to "work a little harder," is making his name better known at home and abroad with some tart comments on the hazards of complacency and naïveté in high places.

(Continued on page 16)

TWO PLANES IN PRESIDENT'S PRIVATE AIR FORCE

› AIR TRAVEL by President Eisenhower is expanded with adoption of a two-engine "runabout" plane for short hops, week-end visits to his Gettysburg farm. Rapid rate of climb, use of short runways, simplicity of controls, good one-engine performance are safety factors of the new Aero-Commander borrowed from the Air Force. The small plane cuts 90 minutes from two-hour auto trip to Gettysburg. The big, four-engine Constellation, *Columbine III,* will be used as before on long trips.

The man with the President's life in his hands as pilot of both planes is a World War II transport flier from Stow Corners, Ohio —Lieut. Col. **William G. Draper.** He says the new plane is for "fair-weather flying" only. There is room for pilot, copilot, two passengers, no parachutes. Colonel Draper, 35 this month, first piloted General Eisenhower in Europe in 1950, has been with him ever since. The colonel fears road travel, says "the most dangerous part of an airplane trip is the ride to and from the airport."



IKE & COL. DRAPER
. . . with "fair weather" plane

—Harris & Ewing, Wide World Photos

FOR LONG HOPS, THE FOUR-ENGINE CONSTELLATION, *COLUMBINE III,* WILL CARRY THE PRESIDENT

Sealing trailers at the seams

When you consider the amount of weathering to which a house trailer is exposed in the course of its service, you can appreciate the importance of effective, all-around sealing.

Finding a seal to keep out dust, weather and noise used to present a real problem. But it doesn't any longer—thanks to 3M's new ribbon-like sealer, EC-1202. Made of synthetic rubber, EC-1202 is extremely flexible and easy to handle. And it's reinforced with sturdy fabric so that it holds its dimensions and is exceptionally easy to apply.

On trailers, like the one pictured above, EC-1202 is used to seal metal corners and edges. Next, an extruded aluminum corner is bolted over it for extra protection, to provide a complete seal against weathering of all sorts.

See what adhesives can do for you . . . You can use EC-1202 wherever metal corners, edges, or faying surfaces need sealing. Your 3M sales engineer will give you all the facts on this and the many other adhesives developed for industry. Call him, or write today for a free informative booklet—to 3M, Department 96, 417 Piquette Avenue, Detroit 2, Michigan.

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CONTINUED

A visit to the U. S. for talks with President Eisenhower by India's roving diplomat, V. K. Krishna Menon, is the newest issue to draw Mr. Richards's fire. He sees Mr. Menon as "violently anti-American," not to be trusted as a mediator in any negotiations seeking improved relations with Red China. Mr. Richards served as a congressional delegate to the United Nations in 1953, saw Mr. Menon in action there as head of India's delegation, came away with the conviction that the Indian "speaks for the Communist line better than some of its adherents." The Congressman thinks India may be the right country through which to approach Red China, "but Mr. Menon is the wrong man."

Mr. Richards also has cautioned U. S. to keep up its guard against possible Russian duplicity at the forthcoming Big Four Conference, says that, if the Soviets try to use the Conference for their own ends, U. S. should walk out.

› **GEN. JUAN PERÓN** was showing no sign of hoisting a truce flag in his widening split with the Roman Catholic Church despite hints in Vatican City and Buenos Aires that he was in danger of excommunication. The President of Argentina, three times a victor in battles with political rivals, the press and labor, was going ahead with his campaign to separate church and state. His latest blow: a bill for 14.5 million dollars in taxes slapped on previously tax-exempt Church properties and enterprises.

President Perón's big fear is establishment of an opposition Christian Democratic Party, drawing its strength from the Perón-dominated General Confederation of Workers and aimed at curbing some of the President's wide powers. He claims he has no quarrel with the Church, is out to punish only some "bad priests" who mix in politics, spread discontent.

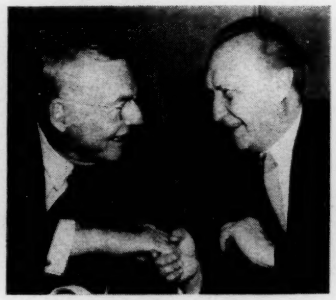
A major ally on General Perón's side is the Argentine way of life. A sports-loving people, the Argentines admire their President's skill at racing motorcycles and driving speedboats, his regular appearances at prize fights and football matches. Also, the Church in Argentina always has played a less public role in the lives of professing Catholics than in many other Catholic countries.

› **TROUBLE SHOOTER** of the controversial refugee-relief program is a former newspaper reporter, 41-year-old **Pierce J. Gerety.** Appointed Deputy Administrator of the Refugee Relief Act of 1953, Mr. Gerety has the challenging assignment of trying to make a success of a law that has been a thorn in the side of the Administration for two years, the center of a stormy congressional hearing.

Mr. Gerety, second-eldest of a family of nine sons, studied law nights while covering a daytime news beat for the Bridgeport *Post* in his home State of Connecticut. He later joined a New York law firm headed by the late Wendell Willkie, Republican presidential candidate in 1940. At the time of his new appointment, Mr. Gerety was serving as general counsel of the Civil Service Commission.

Facing him is the job of making workable a law calling for the admission to the U. S. of 214,000 refugees and relatives by the end of 1956. Big problem: screening out undesirables. Mr. Gerety will plug for speedy enactment of 10 changes in the law, recently proposed by Mr. Eisenhower to speed the inflow of immigrants, will "try my best" to make the present law work if Congress fails to act quickly on the amendments.

CEMENTING WEST'S AIMS



DULLES & ADENAUER

› **EVER SINCE** the Yalta Conference of World War II, criticism has been heard that U. S.-British staff work was "inadequate," gave the Russians undeserved diplomatic victories. This week, Western Foreign Ministers meet in New York to prevent a repetition of Yalta. Their aim: airtight agreement on how to face up to the Russians at San Francisco later this month, at Geneva in July.

Closeted with Secretary of State **John Foster Dulles,** who played a stern hand with the Soviets on the Austrian Treaty recently, will be: British Foreign Secretary **Harold Macmillan,** 61, new to his office but an old hand at international diplomacy; French Foreign Minister **Antoine Pinay,** 63, tough-talking former Premier who once won prestige at home by telling U. S. to mind its own business. A possible fourth at the table: West German Chancellor **Konrad Adenauer,** 79, who may be going to Moscow soon to talk about establishing trade and diplomatic relations with Russia.

—United Press, Wide World

MACMILLAN & PINAY

› **A DETERMINED LAWYER,** whose aim is to open the doors of every public school in the U. S. to Negro pupils, **Thurgood Marshall** knows his toughest fight lies ahead. The chief counsel for the National Association for the Advancement of Colored People won a historic Supreme Court decision with even-tempered arguments, hopes to wear down Southern opposition with persuasiveness backed with legal pressure.

The NAACP's chief architect of racial equality sometimes travels 50,000 miles pleading the 500 to 600 cases he and his staff handle each year. He's used to long hours, worked as a baker, dining-car steward, waiter, to get through a Negro college and law school. As a 26-year-old lawyer, he first challenged segregation practices in 1935 with a petition to get a fellow Negro admitted to the white University of Maryland Law School. He won so convincingly that the case was never appealed.

Mr. Marshall, now 46, likes to go to the race track, enjoys both classical and jazz music, will dance as late as the orchestra plays. He may have little time for these pleasures in the coming months, however. The NAACP is asking all school boards in the South to end separation of the races in schools —an action that promises many courtroom sessions for the Association's legal staff. Of his prospects for eventual victory, Mr. Marshall says: "I'm reasonably optimistic."

BELIEF made this sale

When products are sold in the home, advertising has a great responsibility—it is the only means of pre-selling the customers. To be effective, this advertising must be believed, and it will get the best results if it appears in a magazine that readers trust. That's why companies that sell in the home...as well as those selling through stores...use The American Magazine so effectively. Continuously high readership of advertising and consistent response to editorial content give positive proof that . . .

People believe in The American Magazine.

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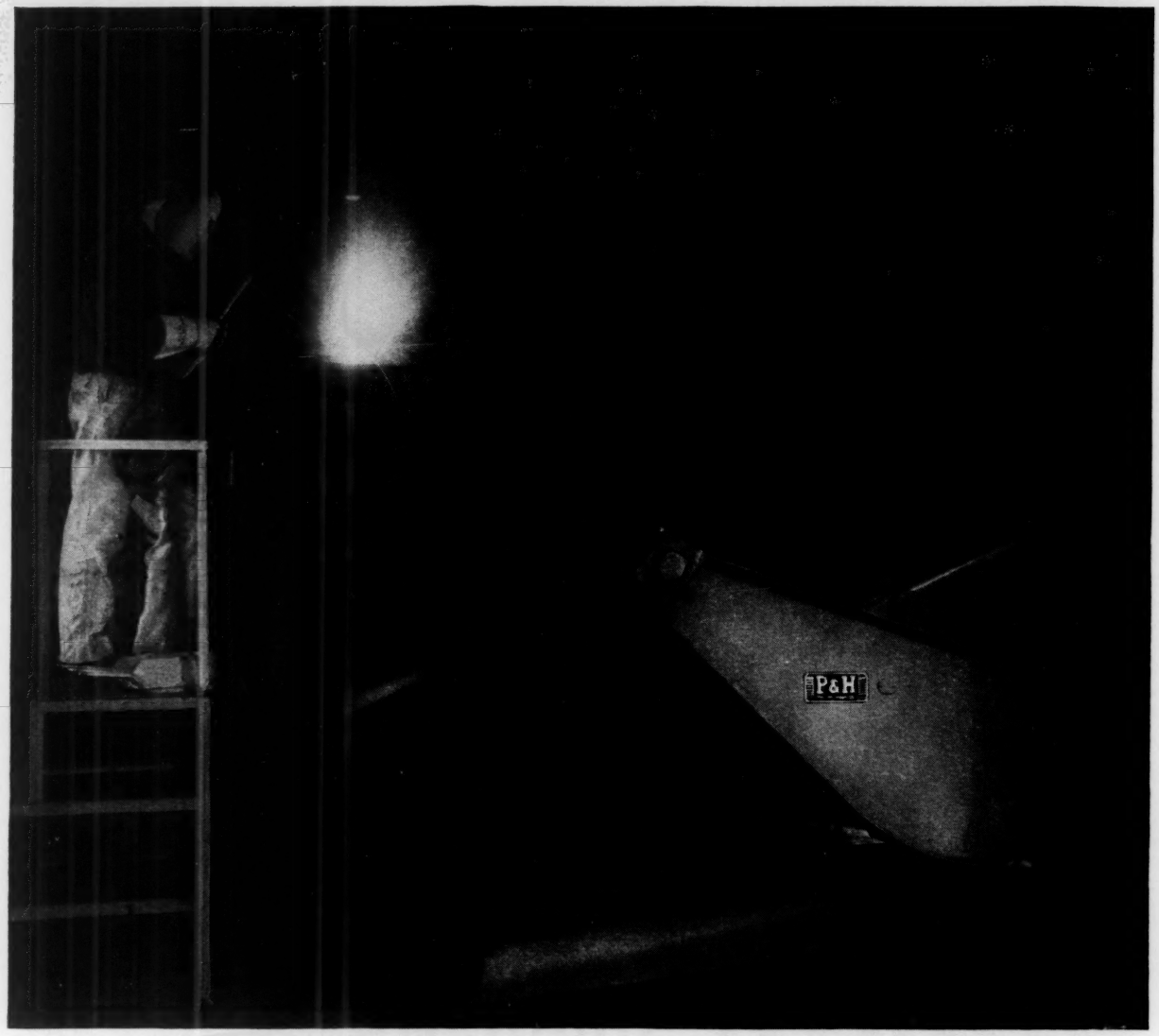

How one P&H Welding Positioner doubled production

Ten years ago, Allis-Chalmers installed a P&H Welding Positioner at its Springfield, Illinois Works, to position 3000-lb. tractor drive-housings for welding. Without adding any other labor-saving equipment, production of welded housings has been doubled. Here's what A-C engineers say:

"Quality has been improved and manufacturing costs reduced. Production of welded housings has been increased approximately 100% over previously-used methods. Daily labor and overhead savings of $87.30 have been realized."

A P&H Welding Positioner can cut *your* welding costs up to 60%, because it reduces fatigue and waste motion. A pushbutton rotates, tilts, or moves the piece vertically, for economical downhand welding. And weldors, always working in a downhand position, deposit metal up to twice as fast.

P&H Welding Positioners have many exclusive features, and there's a size and model that can save *you* money. Ask your P&H representative or distributor about them. Or write to the Welding Division, Harnischfeger Corporation, 4402 W. National Ave., Milwaukee 46, Wis.

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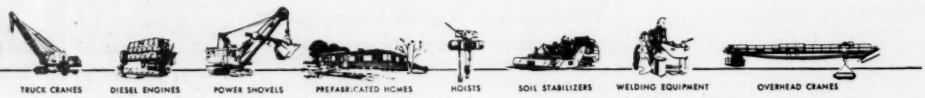


VOLUME XXXVIII—No. 24 U.S. News & World Report WASHINGTON, D. C.

WHY IKE WILL RUN AGAIN

Duty . . . Unfinished Business . . . More Time to Work for Peace

The big secret at the White House is being cleared up by Ike, himself.

Word by word, the President is talking his way into another four-year term.

The words are: "Fascinating job" . . . "peace" . . . "solvency" . . . "program" . . . "party" . . . "duty."

For Republican leaders, the words add up to a willingness to take another nomination. Thus, the machinery is set to draft Eisenhower and Nixon for a rerun. The '56 Convention may be only a formality.

At least, that's what the Republicans hope, and Ike is giving them green lights.

Dwight D. Eisenhower, 14 months before nominating time for the Republicans, is on record on these two points:

• The job of being President is "a very fascinating experience." There are things about the office, and the work, too, that are "at least intriguing, even if at times they are very fatiguing." In general, "it is a very wonderful experience."

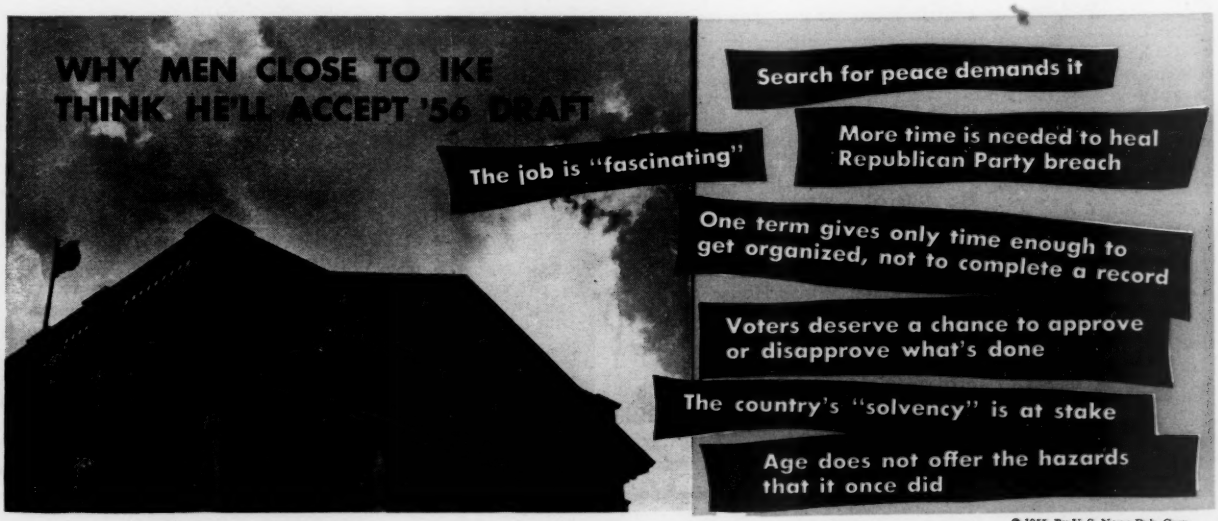
• The vice-presidential nominee should be "acceptable to the presidential nominee." Otherwise, the presidential nominee "should immediately step aside," because "teamwork is so important."

President Eisenhower, in other words, likes his job and if renominated will expect, as in 1952, to hold a veto over the choice for Vice President. Moreover, it becomes clear to Republican leaders, the President is at least thinking about a second term at this early date.

A move to draft Mr. Eisenhower for a second term, thus, has been given a clear signal to start rolling. It grows naturally out of this background. The movement, already snowballing, will not be stopped by any foreseeable statement by the President. Such a statement would have to be strong and well in advance of the Republican National Convention to have any effect.

As a result, these flat predictions are being made by highly placed Republicans: Mr. Eisenhower will be nominated for a second term and will run in 1956. Richard M. Nixon will be the Eisenhower running mate.

The party machinery is being organ-


WHY MEN CLOSE TO IKE THINK HE'LL ACCEPT '56 DRAFT
The job is "fascinating"
Search for peace demands it
More time is needed to heal Republican Party breach
One term gives only time enough to get organized, not to complete a record
Voters deserve a chance to approve or disapprove what's done
The country's "solvency" is at stake
Age does not offer the hazards that it once did

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Presidents Past 60—The Record

WASHINGTON

JEFFERSON

MONROE

HARRISON

BUCHANAN

ROOSEVELT

IF ELECTED to a second term, Dwight D. Eisenhower will be 66 years old—the second-oldest man ever to be inaugurated as President. At 70, he would be the oldest retiring Chief Executive. Twelve other U. S. Presidents were in their 60s on Inauguration Day. They are:

George Washington, 61 at the start of his second term. He retired at 65, died two years later of acute laryngitis.

John Adams, inaugurated at 61. Mr. Adams retired from the Presidency after one term, and lived to be 90.

Thomas Jefferson and **James Madison,** each of whom started his second term as President at 61. After leaving the White House, Jefferson founded the University of Virginia, led an active life until his death at 83. Mr. Madison retired to his Virginia estate and died at 85.

James Monroe, 62 at the start of his second term. He retired at 66, lived six more years.

Andrew Jackson, inaugurated for a second term at 65, retired at 69. Although he often had been in poor health in the White House, and at least once his life had been despaired of, Jackson went home to Tennessee and lived to be 78.

William Henry Harrison, at 68 the oldest man ever to enter the White House. The popular General caught pneumonia on a rainy Inauguration Day, died after only 31 days in office.

Zachary Taylor, 64 years old as his term began. He died in office a little more than a year later, of typhus.

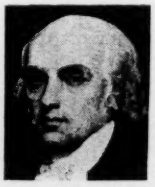
James Buchanan, 65 when inaugurated. He retired at 69 to his home near Lancaster, Pa., and died at 77.

Woodrow Wilson, 60 when he started his second term in 1917. He suffered a stroke in 1919, but finished out his term and died, an invalid, at 67.

Franklin D. Roosevelt started his marathon White House career at 51, was 62 when inaugurated for a fourth term. Three months later, at 63, he died of a cerebral hemorrhage.

Harry S. Truman, 64 at the start of his second term, retired at 68.

ADAMS



MADISON

JACKSON

TAYLOR

WILSON

TRUMAN

ized and greased to bring about this result. Individuals who have not been politically friendly to the President in the past are being replaced in the party organization by Eisenhower men. In States where there has been the toughest opposition to the President, steps already are being taken to nail down for him the 1956 delegation to the Convention. Few, if any hitches, are expected to develop.

Basis for confidence. The confidence of those who are running the "draft Eisenhower" movement rests upon a number of known factors.

It is recalled that at this point in 1951—14 months before Convention time—Mr. Eisenhower had not revealed whether he was a Democrat or a Republican. A good many Democrats still were hoping that he might accept a draft by their party. In Europe, where he was head of the North Atlantic Treaty Organization forces, all of the public statements seemed to indicate that General Eisenhower was not interested in running for President on the ticket of either party.

In the 14-month interval prior to his 1952 nomination, close friends of the General persuaded him that it was his duty not only to run for President but to run on the Republican ticket. They convinced him that a man of his standing in the nation was needed to try to lead the way back to peace and "solvency."

Today, 14 months before another Convention, Mr. Eisenhower is in office as a Republican. He wears a party label. And, instead of shying away from talk of another term, he has encouraged friends to understand that the thought of four more years in the White House does not upset him.

Program just started. Moreover, the President is in the midst of moves on the world stage that may determine whether the future is to hold peace or war. His program, as it affects the domestic economy, is only beginning to take hold. And Mr. Eisenhower is known to feel that a shift back toward an active New Deal line of policy would be harmful to the future of the nation.

These are factors that play an active part in the President's attitude toward a longer period in the White House, if the voters want him to go on living there. And the polls indicate they do.

A sense of duty is deeply ingrained in the President, all of his friends say. This is a part of the basic military training at West Point. It has been 40 years since Mr. Eisenhower learned that lesson. It is something that the professional soldier never gets away from.

In translating that sense of duty into terms of Mr. Eisenhower's relation to another nomination, friends state it like

this: "Ike has been given a task to perform. It is his plain duty to go through with it. Since he has set a course, he cannot turn back at the halfway point. World peace and the future of his own country depend upon it. So does his party. And so do the many friends whom he has called out of important posts in business and industry to become a part of his Administration. He cannot run out on them."

These friends—in the Cabinet, on his staff inside the White House, in lesser administrative posts in the Government—emphasize to the President that in one term he barely has had time to bring his team together. It will take a second term, they say, really to build a record Mr. Eisenhower would be willing to stand on in history.

Arguments such as these are influencing the President.

From Ike's point of view. Any wish of his own to retire or even such a factor as the health of Mrs. Eisenhower is felt by the President's best-informed friends to be less important in shaping his final decision than will be the status of his long-range goals.

The President is in good health. His whole life has been one of activity. Retirement, even to the pleasant farm that he has bought in the rolling hills of Pennsylvania, could get pretty boring for a man who for so many years has been at the center of big things. Moreover, Mr. Eisenhower does not regard age as the handicap to a continuance in office that it once was thought to be. People live longer and more actively than they once did.

Besides, the President is beginning to relish his part in political activity. He is throwing his personal weight back of his program in Congress. At his noted series of stag dinners, he talks with men from both wings of the Republican Party, taking command of the effort to rally them to the support of his own legislative proposals.

"Progressive moderates." In press conferences and at the dinners—publicly and privately—Mr. Eisenhower continues to emphasize that he wants to build and maintain a Republican Party of "progressive moderates." He says that this is what the American people want.

If this work is to go forward, Mr. Eisenhower's friends tell him, he must lead the way personally. He could not delegate the task to someone else.

Almost invariably, Mr. Eisenhower's friends make it clear that the pull of the American people is to be a major factor in shaping his decision. They emphasize that "if the people want him" he will run. Thus, the studies of public opinion are being analyzed and kept before the President.

The polls report a strong wish by the people for him to run again. Mr. Eisenhower's popularity stands now at about the same point it reached in his first month in the White House. He holds the approval of 68 per cent of the people for the way he is handling his job.

Almost 2 of each 3 persons report that they would like to see him run again.

In the same manner, the polls indicate that Mr. Eisenhower would run far ahead of any candidate the Democrats might put up. Tests run off by the Gallup Poll show that Mr. Eisenhower would run 4 percentage points better against Adlai E. Stevenson now than he did in 1952, would beat Senator Estes Kefauver, of Tennessee, by an even wider margin.

On the other hand, the polls tend to point up the weakness of other Republican candidates. They report that Chief Justice Earl Warren would run neck and neck with Mr. Stevenson. But Mr. Warren says he will not run. After Mr. Warren, Vice President Nixon is favored by more Republicans than any other person. And the polls predict that either Mr. Stevenson or Mr. Kefauver would win handily over Mr. Nixon.

It is this situation that is prompting Republican leaders to move firmly ahead with plans to draft the President. They have no other person in sight who looks like a winner.

The President, himself, is doing nothing to tear down their hopes. Instead, he is giving signs of acquiescence. Plans for holding the Republican Convention at San Francisco were worked out on the assumption that the ticket would be Eisenhower and Nixon. Mr. Eisenhower approved the choice of that city as a site.

A few months ago, it was said that the health of Mrs. Eisenhower might keep her husband from running again. Now it is reported that this is not to be a determining factor in shaping Mr. Eisenhower's decision. Her health is depicted as being as good in the White House as it would be anywhere else, or better.

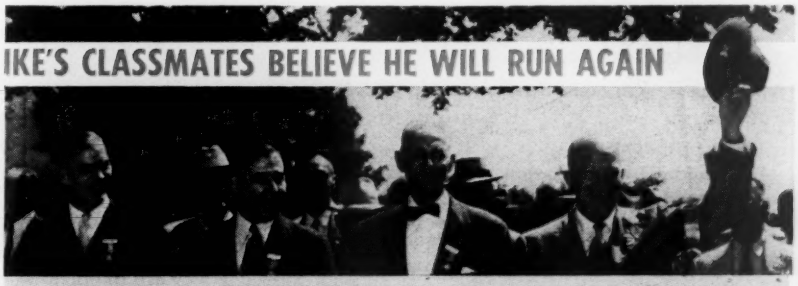
The President's wish to get to his farm, his liking for golf and fishing, his wish to relax, all of these have been mentioned as reasons why he might quit.

Now Mr. Eisenhower has a new plane that can whisk him to his Gettysburg farm in 20 minutes. With other planes, he can leap to a golf game in Augusta, Ga., or to a trout stream in the Rockies in a few hours. And he is enjoying life.

The President's friends say he will continue enjoying life in the White House until 1960.

Men close to Mr. Eisenhower tell what will influence his decision in '56—see exclusive interviews, page 22.

IKE'S CLASSMATES BELIEVE HE WILL RUN AGAIN



Thirty-one of President Eisenhower's classmates, meeting with him at West Point in a reunion of the class of 1915, were asked this question by a member of the Board of Editors of U. S. News & World Report:

"Do you believe the President will run for a second term?"

Here is the way they replied:

YES	**17**
DON'T KNOW	**8**
NO COMMENT	**5**
NO	**1**

Photo: Wide World

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What Eisenhower's Friends Say . . .

When Ike weighs a second-term campaign—What will influence his decision in 1956? Will he have to be "pressured" into a race for re-election? Will it take another draft?

Below are the opinions of some of Mr. Eisenhower's intimate friends—those who played a big part in getting him to run, who helped with the 1952 campaign and who are on close terms with him now.

These men know how the President feels about his job, how he measures public duty vs. retirement, what his goal is.

In the interviews here, these men look ahead to 1956.

Henry Cabot Lodge, Jr.

. . . U. S. Representative to United Nations, manager of 1952 campaign to nominate President Eisenhower.

Q Ambassador Lodge, do you think President Eisenhower will accept nomination for a second term?

A I would say this, that the guiding rule of President Eisenhower's life has been duty. I believe that in 1956 he will think it is his duty to accept the nomination.

Under his Administration, we have achieved two unique things which have seldom if ever been achieved by any President in modern times. The first is that we have kept ourselves at peace. The second factor is that we have done this with prosperity and have not only retained but expanded our prosperity.

I believe that these facts will become more and more impressed on the public mind and on his mind, and I think that he will therefore feel it to be his duty to make himself available for future service as President.

Gen. Lucius D. Clay

. . . Army associate of the President and one of his closest advisers.

Q General Clay, what influence is most likely to determine President Eisenhower's decision whether to run or not to run in 1956?

A I am not in a position to even hazard an opinion as to what the President will do except this: I'm sure that at the appropriate time he will analyze the situation, domestically and world-wide, and that, if he considers it his duty to run again, he will certainly do so. But I don't think that anybody can make a guess as to what that answer will be, as it will depend so much on the conditions which exist at the time he makes it.

Q What factors do you think would be involved in his making up his mind one way or the other?

A Well, I think largely it will depend on his program, on how he is progressing in making peace in the world, on how the domestic economy is faring here in the United States. If he feels that he has not completed his program, that his continuance in office will help to maintain the peace, then those are the factors which I am sure would influence him to make a decision to run again.

Q Do you think a desire to retire to Gettysburg would influence him against running for a second time?

A At no time would his desire for rest and ease overweigh his sense of duty—of that I am sure.

Roy A. Roberts

. . . president of the Kansas City "Star," one of the original "I like Ike" men who organized the 1952 draft.

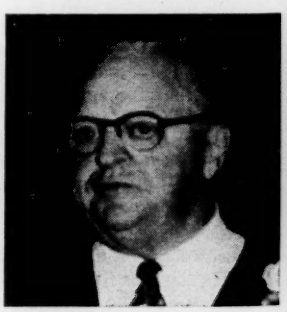
Q How do you feel about the influences that could determine Mr. Eisenhower's decision next year?

A First, I have no more information than anybody else. That's No. 1. No. 2, I don't think that the President himself knows whether he will run. Third, my impression is that he does not want to run, but I think it will be determined upon the state of world affairs next summer. I think the only thing that would impel him to run would be that he'd feel it was his duty to carry on in world affairs to keep peace.

GENERAL CLAY

REP. MARTIN

MR. LODGE



MR. ROBERTS

"He Will Think It His Duty to Accept"

Q You think, then, that duty would be the controlling factor in forming his decision?

A A house at Gettysburg, and a home after many years of being a nomad—and drifting around without a home anywhere—I think the tug of Gettysburg is stronger than the tug of the White House. If he feels that he has a further contribution to make to world peace, I think he will run—otherwise, not.

Representative Joseph W. Martin, Jr.

. . . of Massachusetts, Republican Leader of the House, who works with the President on congressional affairs.

Q Is it likely that President Eisenhower will be persuaded to run for another term?

A I believe the President will be renominated and re-elected. He will find next year that the world situation will still be unsettled and that a strong, steady hand will be needed in the domestic economy. He will be unable to resist the overwhelming appeal of the people for him to complete the crusade for an honest, forward-looking American program.

Paul G. Hoffman

. . . businessman, former Marshall Plan Administrator, a major figure in Eisenhower strategy before 1952 campaign.

Q Do you think the President will run for a second term, Mr. Hoffman?

A The best answer I can give to that is that I hope he will. When he took office, I had a very great sureness in my own mind that he could take us further along the road to peace than any living man. And, of course, I think if we look back to where we were two and a half years ago and contrast that with where we are today, we realize the very great extent of his success toward that particular goal.

It was also my hope that he would develop domestic policies that would insure continuation of a dynamic, conservative regime in the United States. And there again, he has made very great progress.

As of the moment, I don't know of anyone who can take the load from the President and carry on toward those two goals with anything like the effectiveness he can. And that's why I say I hope he runs.

Q Do you think there are influences at work on the President that will impel him to accept renomination?

A Well, the President accepted nomination for the first term only, as you know, out of a very deep sense of duty. In other words, there is no sacrifice he will not make for his country, and I think that it was only after he became convinced that he could render a significant service and was in a rather unique position to do so that he consented to run for the 1952 nomination. It is my hope that once again this willingness to serve his country will overcome any personal reluctance he may have to keep carrying the burden.

Senator Frank Carlson

. . . Republican of Kansas, a principal pre-Convention backer of Mr. Eisenhower, campaign aide and present adviser.

Q What are the influences that would lead the President to run again, Senator Carlson?

A It's my opinion that the President, in the four years of this term, will be able to lay the groundwork for peace but will not be able to insure a full working out of his plan. That takes more time than one term will allow. All successful programs, international in character, require long preparation and then careful development over years under skilled and sensitive direction. In my opinion, the President will see it that way.

Representative Charles A. Halleck

. . . Republican, of Indiana, an original Eisenhower man in Congress, whose opinions are highly regarded in White House.

Q Are there factors impelling the President to be a candidate for renomination?

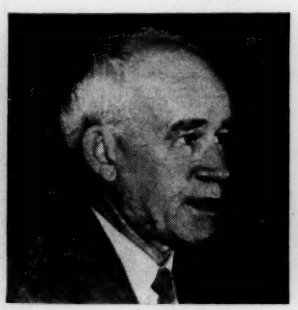
A He will run because of his dedication to the welfare and well-being of the country and its people.

Gen. Omar N. Bradley

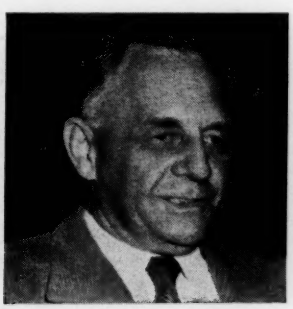
. . . a classmate of the President at West Point in 1915, former Chairman of the Joint Chiefs of Staff.

Q Do you believe President Eisenhower will agree to run for a second term, General Bradley?

A He's going to run again for the same reason he did the first time. He will consider it his duty to serve his country if the people want him. He will be back here [at West Point] again to address the class of 1960.

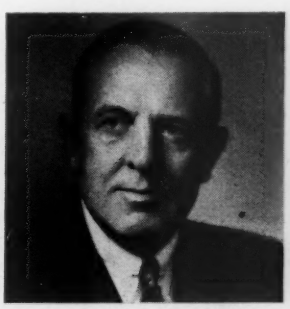


GEN. BRADLEY



SENATOR CARLSON

REP. HALLECK



MR. HOFFMAN

WHERE BUSINESS IS BEST IN U.S. NOW

West and Midwest Booming . . . Pickup in New England

Across the United States, just about any place you look, you find the boom running strong.

Recession of 1954 seems only a distant memory. People are loaded with cash, and in a mood to spend it.

Nothing quite like it has been seen before.

Business is best in the big industrial cities —Detroit, Chicago, Cleveland.

Local pockets of unemployment show up in a few places—coal-mining towns, some Southern and New England textile areas.

Those are the exceptions. By and large, business in U. S. is exceeding all expectations.

Business at the moment is good in almost every nook and cranny of the country. It is least good in some parts of New England. It is best in the industrial centers of Detroit, Chicago and Cleveland.

Altogether, the level of business activity is higher now than ever before. Almost every trace of the recession of 1954 is erased by the broad advance of good times. People almost everywhere are confident and well supplied with cash and with credit.

Yet, over the months just ahead, it is probable that some shifts may occur in the centers of highest activity. The automobile industry is passing its peak for the year and will slip a bit in the months of summer and early autumn. This may bring some hesitation around Detroit and probably will have an effect on steel and other supplying industries.

On the other hand, the textile industry, long a laggard, is showing signs of revival. Improvement in textiles will cause the new industrial areas of the South to perk up even more. There is also some stirring in the farm-machinery centers that had been really depressed a year ago.

It is noticeable that the rise in business activity is not accompanied by a corresponding drop in unemployment. Job totals rose sharply in May, as they usually do when farm work and construction picks up, but there are more people out of jobs now than at the peak of the 1953 boom. Pockets of unemployment are rather severe in coal-mining areas, in some New England and Southern textile towns, and in a few other parts of the country. The job problem, however, is mainly local, and stems more from lack of mobility among workers than from an over-all shortage of jobs. It still is difficult to get good farm hands, or to find people who will work in households or yards.

As you look around the country you find a rather high degree of uniformity in the general level of activity. As the chart on pages 26 and 27 shows, income, department-store sales and banking activity are higher than a year ago in nearly all key cities. The spotty conditions of a year ago, when many areas reported declines from the 1953 boom, have disappeared. Employment is not quite as high as it was a year ago in some places, but in only a few major cities is unemployment reported officially to be substantial.

Midwest: production jumps. The industrial Midwest is staging the sharpest comeback in the country. Last year it was this region that was hit rather hard when output of automobiles, appliances and farm equipment dropped. Now production is booming in nearly all lines. Farm-equipment factories are decidedly busier than they were last year, despite the lag in farmers' income.

The outstanding Midwest performer to date is Detroit, where average wages are the highest in the country, where unemployment is mild and trade volume is running 11 per cent ahead of a year ago. The big centers of Chicago, Cleveland, Cincinnati and Milwaukee are doing

—Shoemaker in the Chicago News

AN INDUSTRIAL BOOM
. . . comeback in the Midwest

—Yoes in the San Diego Union

MONEY TO SPARE
. . . rebound in the Mountain States

well, and significant upturns are reported from the smaller cities of Evansville and Fort Wayne, Ind., Rockford, Ill., Grand Rapids and Kalamazoo, Mich., Toledo and Dayton, Ohio. This reflects improvement in the furniture and appliance industries as well as in automobiles and steel.

Chicago bankers also are impressed with what they call the "almost unbelievable strength" of the farm communities. Despite lower incomes, delinquencies are few on farm mortgages, and land continues to be bid up in price.

The rebound in the Midwest is being repeated on the Pacific Coast and in the Mountain States, two other areas that were pinched by last year's business setback. Unemployment is considerable in Portland, Oreg., and Tacoma, Wash., but retail trade is better in those cities than a year ago and workers with jobs are getting higher pay. Employment is running 5.2 per cent ahead of last year in Los Angeles and is up slightly in Seattle and San Francisco.

In the Mountain States, activity shows a marked rise, helped along by the uranium boom in the area. Department-store sales are running 10 to 15 per cent above a year ago in most cities and employment is higher everywhere except in Casper, Wyo., where layoffs have occurred in the oil and natural-gas industries. Unemployment is not reported to be a serious problem in the Southwest except in Albuquerque, which has had a heavy influx of people.

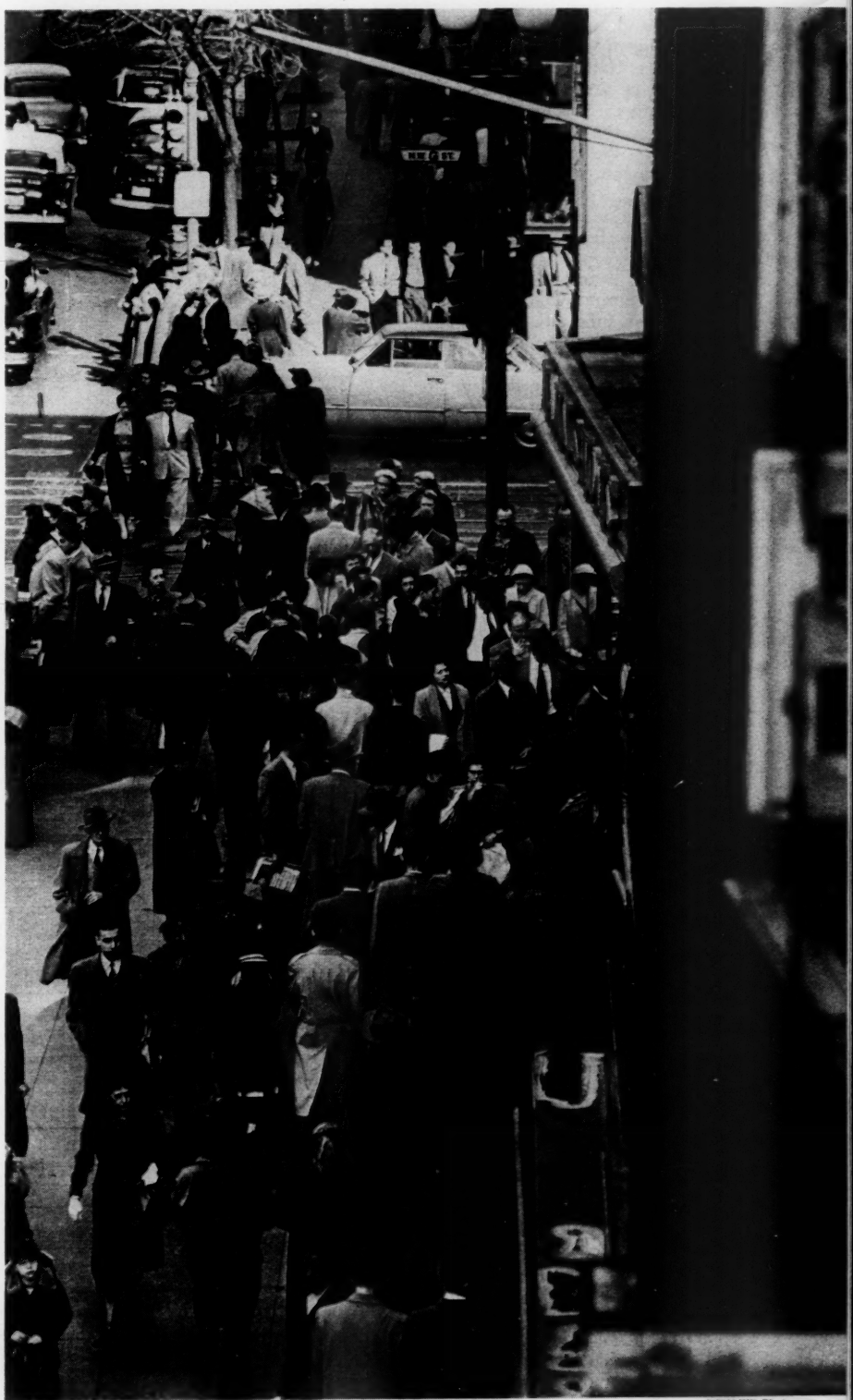
Farm income is off in most Western States, as elsewhere, but, in Washington and California, farmers are making gains in income. Farmers in Idaho have scored a 12 per cent gain in income, because of higher potato prices.

New England: slower rise. On the other side of the continent, in New England, business is improving, too, but not as fast as in the rest of the country. Employment is down a bit from a year ago in most important business centers, and department-store sales, though higher, are showing less improvement than the national average.

The major soft spot in this area is the textile industry, which has been slow to recover and is running into stiff competition from mills in the South. The textile situation was further complicated by strikes in 17 mills manufacturing cotton and synthetic-fiber goods. Substantial unemployment is reported in Providence, R. I., and in the Massachusetts textile towns of Lawrence, Lowell, Fall River and New Bedford. Unemployment also is serious in Portland, Me., where two metalworking plants closed.

The textile industry, however, looks for better times ahead.

Elsewhere in New England, condi-



–USN&WR Photo

MERCHANTS' VIEW OF SHOPPERS
People almost everywhere are well supplied with cash

tions are improving. Orders are rising in the machine-tool industry, the electronics industry and in most metal-fabricating plants. Unemployment is slight in such centers as Hartford, Conn., and only moderate in Boston, the area's biggest labor market. New England manufacturers show their confidence with plans reported by the Boston Federal Reserve Bank to invest 200 million dollars this year in new plant and equipment.

Elsewhere in the East, employment this year has been running slightly below 1954, except in Pittsburgh, where higher steel output has added to payrolls. Pittsburgh, however, still is reported to have substantial unemployment, although trade and banking transactions show marked gains. Earnings of workers in the Pittsburgh area also are up considerably—10.8 per cent.

Trade in other large cities of New York, Pennsylvania and New Jersey is running about even with last year, but trade in this region did not suffer as much decline in 1954 as in other areas. Earnings of factory workers are higher than a year ago, but wage gains so far have not been up to the national average.

Unemployment is reported officially to be substantial in Philadelphia, Buffalo and the Albany-Schenectady-Troy area. Plants making machinery, both electrical and nonelectrical, and railroad equipment, are employing fewer people than a year ago. Unemployment also is heavy in the Pennsylvania coal towns, in the railroad center of Altoona, Pa., and in the textile centers of Utica, N. Y., and Paterson, N. J.

The State of New York points up a situation where output can gain without producing a corresponding gain in employment. The State's official index puts March business activity at the highest point ever recorded, but employment lagged behind both 1953 and 1954. Since that time, more workers have been added to payrolls and output has made further gains.

Dixie: still gaining. The South, on the whole, escaped effects of the 1954 downturn and now is continuing to show gains in business volume. A bright light in this area is Atlanta, Ga., where unemployment was slight a year ago and is still minor. Meanwhile, the number of people working has jumped 2.3 per cent. Department-store sales in Atlanta are running 15 per cent above last year and factory workers have managed to boost their earnings by 10.3 per cent.

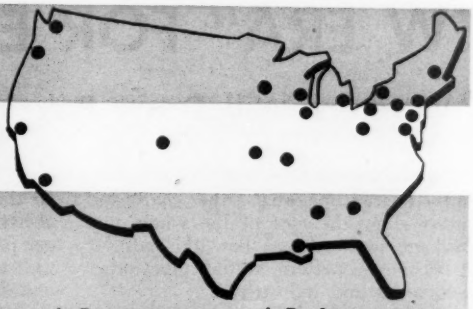
Miami, Fla., presents another bright spot. Employment is 8.1 per cent higher than a year ago because of more jobs in manufacturing, construction and trade. Florida is becoming an important industrial State as well as a rich farming

$ HOW'S BUSINESS ACROSS

CITY	Average worker's income*	Income compared with a year ago*
Detroit, Mich.	$5,057	Up 10.4%
Buffalo, N. Y.	$4,530	Up 9.3%
Cleveland, Ohio	$4,470	Up 6.4%
Pittsburgh, Pa.	$4,468	Up 10.8%
San Francisco, Calif.	$4,455	Up 5.2%
Milwaukee, Wis.	$4,442	Up 7.1%
Los Angeles, Calif.	$4,421	Up 7.0%
Chicago, Ill.	$4,339	Up 8.6%
Portland, Oreg.	$4,206	Up 3.0%
Seattle, Wash.	$4,173	Up 3.2%
Kansas City, Mo.	$4,129	Up 6.3%
Minneapolis, Minn.	$4,083	Up 4.4%
Baltimore, Md.	$3,973	Up 7.3%
Denver, Colo.	$3,960	Up 3.4%
St. Louis, Mo.	$3,955	Up 6.1%
Philadelphia, Pa.	$3,928	Up 5.3%
Birmingham, Ala.	$3,910	Up 8.9%
Boston, Mass.	$3,655	Up 3.5%
New York, N. Y.	$3,613	Up 4.0%
Atlanta, Ga.	$3,558	Up 10.3%
New Orleans, La.	$3,546	Up 6.6%
Portland, Me.	$3,183	Down 0.7%
U. S. average	$3,899	Up 6.5%

*Factory earnings.

Basic Data: Federal Reserve Board and Department of Labor



THE COUNTRY?

Extent of unemployment	Employment, compared with a year ago	Department-store sales, compared with a year ago	Banking activity, compared with a year ago†
Moderate	Up 4.5%	Up 11.0%	Up 9.6%
Moderate	Down 0.2%	Up 2.0%	Up 6.0%
Slight	Down 0.5%	Up 4.0%	Up 2.2%
Substantial	Up 0.2%	Up 19.0%	Up 10.1%
Moderate	Up 1.0%	Up 10.0%	Up 7.6%
Moderate	Up 0.2%	Down 2.0%	Up 4.7%
Moderate	Up 5.2%	Up 8.0%	Up 11.6%
Moderate	Up 0.2%	Up 6.0%	Up 7.1%
Substantial	Down 0.4%	Up 4.0%	Up 15.8%
Moderate	Up 2.2%	Up 7.0%	Up 10.7%
Moderate	Down 3.5%	Up 7.0%	Up 8.0%
Moderate	Up 0.7%	Up 4.0%	Up 9.3%
Moderate	Up 0.4%	Up 4.0%	Up 7.4%
Slight	Up 2.0%	Up 15.0%	Up 11.8%
Moderate	Down 1.6%	Up 6.0%	Up 2.6%
Substantial	Down 3.4%	Up 3.0%	Same
Moderate	Down 1.4%	Up 11.0%	Up 12.7%
Moderate	Down 0.4%	Up 3.0%	Up 9.7%
Moderate	Down 1.2%	Same	Down 0.9%
Slight	Up 2.3%	Up 15.0%	Up 8.1%
Moderate	Down 4.1%	Up 7.0%	Up 10.2%
Substantial	Down 1.6%	Up 5.0%	Up 10.1%
Moderate	Up 1.2%	Up 7.0%	Up 8.0%

†Checks drawn on demand deposits.

area and tourist attraction. Incidentally, farm income in Florida is running against the national trend by scoring a 9 per cent gain.

About the only places in the South where unemployment is a serious problem are in coal-mining, tobacco and textile centers. For the most part, pockets of unemployment are in smaller cities, such as Asheville and Durham in North Carolina. Among larger cities, Charleston, W. Va., and Knoxville and Chattanooga, Tenn., are the only ones to report substantial unemployment. Charleston is a coal center. Knoxville is a textile and garment center.

But, in the South, as in New England, businessmen expect a pickup in textile activity in months ahead. Demand for men's and women's clothing is assumed to be rising because buyers' inquiries to manufacturers are increasing.

Signs of the change. Businessmen, generally, seem to have laid aside most worries about the future. They expect automobile production to ease off, but the belief is growing that any slack created by the auto industry probably can be taken up by expansion elsewhere.

In the Midwest, for example, a number of companies are planning to skip the usual vacation shutdowns this summer. Some managements are offering to give workers vacation pay as a bonus if they will stay on the job. Others are suggesting vacations be staggered so that the plants can keep operating. Still others intend to replace vacationing employes with temporary workers.

All this suggests that the slowdown in activity that has become usual in the summer months may not be so extensive this year. Steel-company officials, looking at their order books, expect little more than moderate cutbacks when auto companies trim their demands. They are counting on other customers to keep the mills active.

Business analysts in New York expect business volume to shift rather than to diminish much in the summer months. They anticipate a record vacation year and are counting on travel and tourist spending to fill much of the gap that will be created when industrial production slackens.

Out on the West Coast, the general attitude is clearly optimistic. Continued growth is expected in Southern California. Business expansion is going at twice last year's rate in the San Francisco Bay area. And the Northwest expects increased aircraft production to broaden this region's industrial base.

Thus, from one end of the country to the other, the feeling is that the business boom will gather strength as the year wears on.

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ANOTHER "NEW ERA" FOR EMPLOYERS

Next, Workers Will Draw Pay While Not Working

Employers all over are trying to grasp the meaning, for them, of Ford's union contract.

The union has won on the principle that employers are to pay laid-off workers. Other industries are asked to concede this.

Costs will mount faster. Steel wages and prices are to rise more than expected. Marginal firms will be hit hardest.

Long-run problems cause worry.

DETROIT

There is much that is unspoken and unexpected in the guaranteed wage, as accepted by the automobile industry.

At the start, a fund to guarantee wage payments to workers not working is to cost a modest amount—5 cents an hour, in the case of Ford, for each man employed. That seems moderate in an agreement that provides for workers a total of 20 cents in the way of increased pay and other benefits in the year ahead, rising to 32.4 cents two years from now.

It is when the side effects are considered that some employers become disturbed. The 5 cents, the auto union has made clear, is to be just a starting figure. Also, a 5-cent cost means less to Ford than it will to smaller automobile companies and to some of the still smaller concerns supplying parts.

Other industries, too, which would feel the effects of new labor costs more than the big motor-car companies, point out that the pattern set in automobiles is almost certain to spread.

Government started it. The principle of pay while not working was first fixed on a nation-wide basis by the Federal Government in unemployment insurance. When Ford agreed to a wage guarantee for its workers it accepted this principle as an obligation of the individual employer as well as the Government.

A Ford worker, on the average, will be assured of $52 a week for a maximum of 26 weeks whether or not he works. He will be eligible for part of this assured pay starting a year from now; in about three years, when the fund is larger, he will get the full amount.

How this guarantee will work is shown in the chart on page 29. Other charts and tables show the cost of the whole pay package to Ford and how this cost, if it becomes a pattern, would affect other companies and industries.

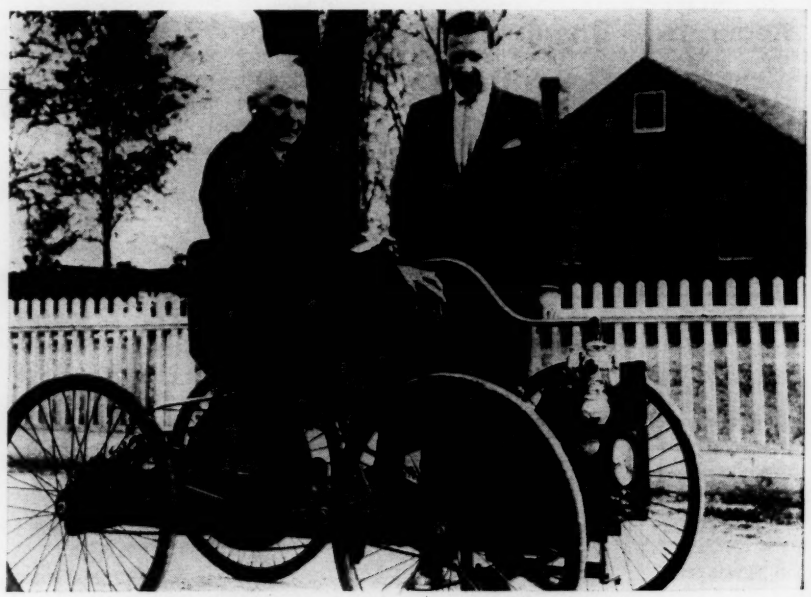
The principle of the guaranteed wage, as it is applied and broadened through the years, is expected by many in industry to have a profound influence. At the start, it is just like a wage increase, so much per hour per worker. In a booming period, strong companies take this in stride.

Trouble is foreseen as the plan is pressed on weaker concerns, as it is made more costly through future union demands and as business goes into slack periods.

An added cost. First worry of a growing number of companies is that they are to be saddled with a new cost of doing business, a new item that will be subject to union bargaining whenever a contract expires.

Not many years ago, the straight pay increases Ford granted would have made workers merry: 6.2 cents an hour, on the average, every year for three years. But, in a decade, workers have come to expect much more than just pay raises. So the Ford package provides for cost-of-living increases, longer vacations, bigger pensions, more free medical care, as well as the new wage guarantee.

Before the ink is dry on the contract, the union says it will not be satisfied for long. This is considered only a start toward a guarantee of full, or nearly full pay, for a whole year, a real "guaranteed annual wage."



THE LATE HENRY FORD WITH HENRY FORD II
After 40 years, another business bombshell

Other companies, if they are well-heeled, are to be asked for a bigger guarantee as their wage contracts expire. Ford is to be asked to contribute more three years from now, when the new contract runs out.

On paper, the employer someday is to be relieved of this new cost; for Ford, this time would come if the fund reached 55 million dollars. In practice, the unions expect to keep this day from arriving, by demanding a larger fund and more benefit payments out of the fund—if necessary, at a higher cost per hour. Thus, there is to be no end of paying; the wage fund is to become a constant expense, like the pension fund.

Dangers ahead? Another problem the employers see is keeping the cost of

the wage guarantee strictly limited, as it is at the start. This worry grows out of the union's original demand, which can be revised as time goes on.

Under the union plan, as first written, companies were to incur double costs in bad times. They would be paying into the wage fund; they would also be making direct payments to workers who had been laid off.

That setup would have two advantages, from the union viewpoint, over the plan now adopted as a temporary compromise. The fund would last longer in a serious recession, since it would not bear the full load of paying to the unemployed; and the companies would be under more pressure to avoid layoffs, which the union asserts is one of its chief aims.

The plan sends shivers through most employers. They see in it the danger of being saddled with mounting costs at the worst possible time, whenever business turns down.

Questions raised. The possibility of major changes is at the bottom of a good many questions employers now are asking about the Ford plan.

Does it mean that companies will have to try to level out their production, where, before, they had seasonal ups and downs? The auto industry almost always turns out many more cars in the first half of the year than in the second. During the summer, when plants are being tooled up for new models, men are laid off.

The companies think they might avoid layoffs by holding down production, scheduling only those cars they could feel sure of selling and spreading output evenly over the year.

The result, for the workers, would be job security, if such a change took place. For the companies and the public, it would mean smaller output and higher prices.

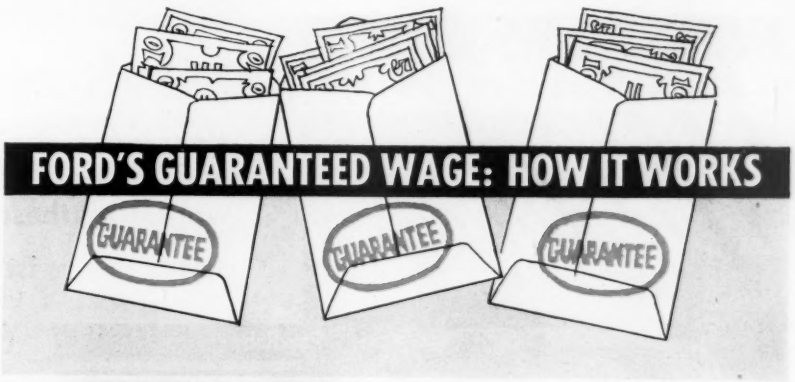
For the time being, under the Ford plan, this kind of violent adjustment is avoided, officials say. But they wonder if it will be thrust upon them in the future by bigger union demands.

A worry for Ford. Why work, if you can be paid for not working? This question is one that worries Ford. The company sees the danger, if benefit payments get too big, that a worker may not mind being laid off.

That is avoided in the present plan, the company thinks, by holding the benefit payments, after the first four weeks of idleness, to 60 per cent of the worker's regular pay. Thus, he takes a cut of 40 per cent.

The union, however, will be working to reduce that cut as years go by.

Two questions have been worrying some labor leaders. Will the wage guar-



STARTING NOW—

GUARANTEE **Ford Motor Company sets up fund to finance future payments to laid-off workers.**

GUARANTEE **Company pays into this fund 5 cents for each hour worked by 140,000 employes.**

GUARANTEE **Payments go on until fund reaches 55 million dollars. After that, company makes payments only as needed to keep fund at this level.**

STARTING A YEAR FROM NOW—

GUARANTEE **Workers, if laid off, are eligible to get payments out of Ford fund. These payments are on top of State unemployment compensation.**

GUARANTEE **To qualify, workers earn "credits" while they are on the job.**

WHEN A WORKER IS LAID OFF—

GUARANTEE **His benefits depend upon his own "credits." A worker with maximum "credits" gets this:**

For first week of a layoff—*no benefits.*

For next 4 weeks—*65 per cent of take-home pay. Part comes from State unemployment fund, remainder from Ford fund.*

For next 22 weeks—*60 per cent of take-home pay, part from State fund and remainder from Ford fund.*

After 27 weeks, worker gets no further payments, either from State fund or Ford fund.

IF THE FORD FUND RUNS OUT OF MONEY—

Benefits to laid-off workers stop until the fund is replenished by the company's regular 5-cent payments.

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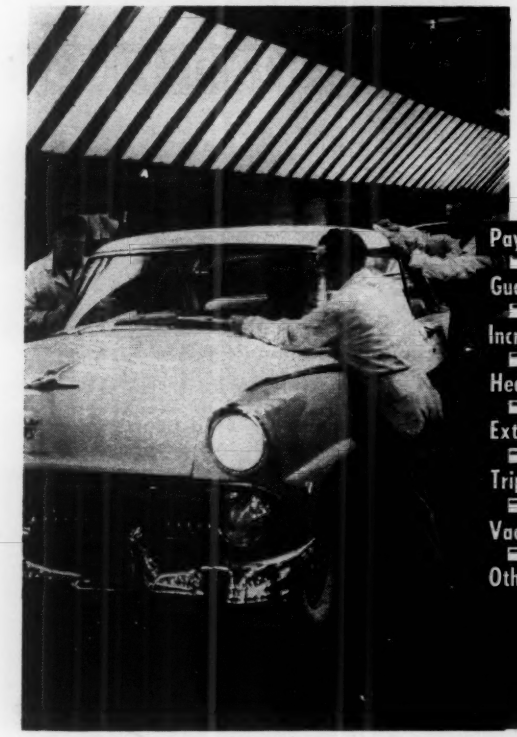
3-YEAR RISE IN PAY FOR FORD WORKERS



New wage contract raises hourly pay and "fringes" of the average Ford worker by these amounts:

	1st YEAR	2d YEAR	3d YEAR
	(increases above level of old contract)		
Pay Raise	6.2c	12.4c	18.6c
Guaranteed Wage	5.0c	5.0c	5.0c
Increased Pension	4.5c	4.5c	4.5c
Health Insurance	1.2c	1.2c	1.2c
Extras For Skilled Workers	1.3c	1.3c	1.3c
Triple Holiday Pay	.8c	.8c	.8c
Vacation Allowance	.2c	.2c	.2c
Other Increases	.8c	.8c	.8c
	20.0c	26.2c	32.4c

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antee cause companies to hire fewer new workers? Will it spur them on to spend more money on labor-saving machinery?

The answer is that the Ford plan, at present, will have no more effect than other wage increases. Industry already is increasing the sums it spends for new, more efficient machinery, partly in order to cut down on labor cost.

You see the results in the table on page 32. The cost of a union contract such as Ford's would be less in the auto industry, in relation to profits, than in many others.

If the Ford package had been in effect last year, auto profits would have been lower by 12 per cent. The cost to the average manufacturer in all lines would have been 19 per cent of profits; to the metal fabricator, 38 per cent. The textile industry would have lost all its profits.

Monopoly problem. Economists, in general, and auto-parts producers, in particular, have been worrying about this question: Will the wage guarantee lead to monopoly?

For the auto-parts companies, the worry is that the big motor-car makers will decide to make more of their own parts, instead of buying them. By that change, the major companies might be able to keep their men busy making parts during seasons when there is small demand for new cars.

For the present, the Ford plan is not expected to have much effect on the industry's buying habits. An official of one parts company sums up the reaction this way: "We can live under this. But what comes next?"

The monopoly problem goes deeper. Smaller auto companies, if they have to carry a big increase in labor cost, will find it hard to stay in business, even under Ford's compromise plan.

Studebaker-Packard and American Motors are having a struggle to produce a profit for 1955, even without taking on added costs. Their problem is shared by marginal companies in other lines, which will now be asked to fall in line with the Ford settlement.

Next targets. These two smaller companies and Chrysler face demands later this year which are sure to be patterned after the Ford pact, though the union hints it will bargain with other auto makers on the basis of ability to pay.

Farm-equipment manufacturers are on notice that something like the Ford plan will be wanted in new contracts. Union talks with one big producer started last week.

Two big electrical manufacturers—Westinghouse and General Electric—are being pressed to accept the principle of the "guaranteed annual wage."

The railroad industry finds that the leaders of three brotherhoods feel the Ford plan improves their chance of getting a wage guarantee.

The steel industry feels the effects, though its contracts with the union call for bargaining on wages only in 1955. The union says it will ask for a wage guarantee in 1956.

But the size of the Ford package, the whopping 20 cents an hour, was expected to result in a bigger steel-wage settlement this year.

Thus labor costs, through a wide segment of industry, are given a strong boost.

Pressure under prices. Some industries are expected to pass this cost along to their customers in the form of higher prices.

Steel producers, enjoying something of a sellers' market, have indicated they intend to raise prices and will set the amount when they see how much more they have to pay in wages. Profit mar-

(Continued on page 32)

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What Ford "PACKAGE" Would Cost Other Auto Companies

If the Ford plan had been in effect in 1954—

- **GENERAL MOTORS . . .**
  would have had a profit of $711.4 million, after taxes, instead of the profit of $806 million actually reported.
- **CHRYSLER . . .**
  would have had a loss of $1.4 million, instead of the profit of $18.6 million actually reported.
- **STUDEBAKER-PACKARD . . .**
  would have had a loss of $29.6 million, instead of the loss of $26.2 million actually reported.
- **AMERICAN MOTORS . . .**
  would have had a loss of $13.2 million, instead of the loss of $11.1 million actually reported.

Source: Estimates by USN&WR Economic Unit

gins in the industry are too low, executives complain, to provide funds for plant expansion.

Already, other manufacturers have been able to raise prices. Copper, aluminum, brass, auto tires, and carpets cost more today because of recent price increases. That shows what can be done in some cases.

The auto companies are not so sure they can make a price boost stick. They are going over their figures now.

What they find is that most cars are being sold at discounts from the manufacturers' list prices. Sales have been slowing down in recent weeks. Dealers have a record number of new cars waiting to be sold.

In time, that situation might change. Incomes are rising, with pay gains helping them up. The ground is being laid for heavier buying and perhaps, in time, for some inflation.

Legal wrangles. Debate over the wage guarantee is now to be carried into State legislatures and into Congress.

Nub of the argument is whether unemployment-insurance laws are to be changed so as to ease the way for wage guarantees to spread through industry. Unemployment insurance is supported by a tax on the employer; the rate in some cases is as high as 3 per cent of payrolls; in other cases, much less.

Insurance laws in some States will have to be changed or reinterpreted to make the Ford plan workable. Present rulings bar workers from drawing State benefits at the same time they are getting money from a company. This sharing, of course, is at the heart of the Ford plan.

Ford has said it will join with the union in urging changes in the laws, where necessary.

Executives also are wondering if they should urge more than just a technical change in the laws. The wage guarantee could give a fillip to bills for increasing State benefits.

Bigger State benefits are viewed by some industry people as a way to stave off union demands for wage guarantees. Other companies, which are paying a very low insurance tax, figure it will be cheaper to put as much of the load as possible on the State fund, if they have to adopt the Ford plan; the more the State pays the worker in benefits, the less the company pays.

Other businessmen, fearing higher costs and the long-range outlook for the wage guarantee, are making it clear that they will oppose any changes in the laws that will make things easier for the unions to spread the system throughout industry. This legal struggle is expected to go on for years.

More money to invest. Meanwhile, the company wage funds will grow, going probably into short-term, risk-free securities, such as Treasury bills and notes.

Ford's fund is aimed, initially, at 55 millions. A larger concern such as General Motors would need a bigger fund to give the same benefits. As the plan spreads, the sums can easily mount, in time, into the hundreds of millions.

This will be in addition to the billions already piling up in pension and welfare funds of various kinds.

Over the long run, the Ford plan is to have a growing effect on company planning, on workers' attitudes, on national finance. Forty years ago, the elder Henry Ford made history by raising the minimum pay in his plant to $5 a day. Now the younger Henry Ford is making more history with an offer of pay for time not worked.

Where this new principle leads is the question. This year's agreement is just the beginning.

For an explanation by the head of CIO and a Ford official of how the guaranteed wage is to work, see page 97. A point-by-point breakdown of what the contract contains, page 104.

What Ford "PACKAGE" Would Cost in These Other Industries

	ACTUAL PROFIT In 1954*	COST OF FORD PLAN In Dollars	In Per Cent of Profit
All manufacturing	$11,232 million	$2,088 million	19%
Steel, other metals	$1,188 million	$187 million	16%
Fabricated metals	$394 million	$149 million	38%
Electrical machinery	$684 million	$133 million	19%
Textiles	$114 million	$118 million	104%
Chemicals	$1,199 million	$96 million	8%
Petroleum refining	$2,230 million	$30 million	1.4%
Rubber	$200 million	$35 million	18%
Transportation equipment (except autos)	$402 million	$137 million	34%

*After federal income tax

Source: Estimates by USN&WR Economic Unit

How to land six thousand fish per minute

PUMPING is the new high-speed way to get big catches of small fish from purse seiners' nets to ship and then to shore. Operating like overgrown vacuum cleaners, the pumps stow 80,000 to 100,000 anchovies in less than 15 minutes where old hand methods took three hours. Damaged fish never exceed 2% compared to 20 or 25% with dip nets.

Major problem for pump makers was finding the right hose. They needed a heavy duty suction hose that was still flexible enough to handle easily. Many types were tried—heavy hoses which were too stiff and light hoses which kinked and crushed. Finally they turned to the G.T.M.—Goodyear Technical Man. He answered their needs with a Goodyear hose having the right combination of toughness, crush resistance and flexibility

If you need hose to handle anything pumpable, call in the G.T.M. He has more than 800 types of hose in production, more under development, or can design one to fit your specific needs. Contact him through your Goodyear Distributor or by writing Goodyear, Industrial Products Division, Akron 16, Ohio.

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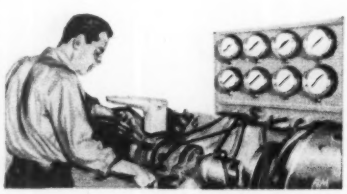

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The Peters Case—

WHAT THE COURT DIDN'T DECIDE

Government, after all, is to keep full authority to fire any employe found a "security risk."

That's the real meaning of the Supreme Court's refusal to rule on central issues raised by the Peters case.

The whole security program was endangered. Court decided against Government, but only on a technicality. So the program, in effect, was upheld.

As the result of a 7-to-2 decision the Supreme Court of the U. S. handed down just before leaving for its summer recess:

- Present machinery for dealing with so-called "security risks" in Government will go on operating as it has during years just past.
- An individual accused of being a "risk" to the security of the Government need not be confronted with his accuser. The informant system that is used by police organizations everywhere is not to be disturbed.
- Right of the Government to put its interests ahead of the interest of an individual in his particular job will not be altered.
- Government, in other words, will retain the right to fire without a trial any individual it considers unsuited for employment on security grounds.

Dr. Peters and the issues. These and other results flow from a decision in the case involving Dr. John P. Peters, Yale University professor. The Supreme Court, in passing on this case, avoided dealing with the issue of constitutional rights of the accused person. It deliberately decided not to resolve that issue and, in so doing, left intact the present machinery for policing Government against individuals regarded by the Government as risks on security or loyalty grounds.

On two occasions, the Supreme Court has avoided resolving that issue. It did so first in 1951 in the Dorothy Bailey case. Miss Bailey, like Dr. Peters, had been dismissed from Government employment on security grounds. She went to court to get her job back and was turned down.

No other important court tests of the security program are now in sight.

What the Court said, in effect, in the Peters case, was this: The big constitutional questions raised by Dr. Peters do not need to be answered at this time.

The justices maneuvered to get around making a decision on the major issues in this way:

They found what they considered a technical mistake in the legal procedure by which Dr. Peters was dismissed. They said it was the custom of the Court to consider all such technicalities before taking up constitutional matters. Once it had thrown out Dr. Peters's dismissal on technical grounds, the Court was not required to reach a decision on the constitutional issues. However, because Dr. Peters's term had expired, he does not get his job back.

Still in doubt. What the Court left unanswered were these questions:

Is the Government-employe security program as it now operates safe from further attack in the Courts? Does the program provide fair and legal treatment for employes who are suspected of being subversive?

This is the way the security program works:

If a Government employe's superior gets information arousing his suspicion, he reports to the security officer of the agency, who orders an investigation.

—United Press

DR. JOHN P. PETERS
. . . a decision on narrow ground

Agents of the Federal Bureau of Investigation make the investigation if the employe's loyalty is questioned. The Civil Service Commission's investigators handle cases of persons believed unreliable for other reasons, such as alcoholism, gambling or sexual irregularities.

The dismissal takes place in these four steps:

1. If it appears to the security officer that the employe ought to be fired, he has him temporarily suspended from work and sends him a statement of the charges.

2. The employe replies to the charges in writing.

3. A hearing is held before the security hearing board. This board consists of officials from other Government agencies, loaned to the agency for this part-time duty.

4. The agency head receives the report and recommendations of the board and makes the final determination. He may fire the employe, retain him or transfer him.

Arguments. Legal attacks on this system have been focused on the board hearing. The board is not required to follow legal rules of evidence and procedure. It does not have to produce witnesses or tell the sources of its information.

Critics say this is a denial of the employe's constitutional rights. Every accused person, attorneys for Dr. Peters argued before the Supreme Court, has a right to face his accusers, to cross-examine them and try to break down their testimony.

The Government says this cannot often be done because the facts on loyalty come usually from FBI undercover sources. If the FBI's secret operators were exposed at all security hearings, their usefulness to the FBI would be destroyed. The whole detective system by which the FBI catches spies and potential traitors would be wrecked.

The Government is making an effort to conduct the program as reasonably and tactfully as possible through the work of the Internal Security Division of the Department of Justice, headed by an Assistant Attorney General, William F. Tompkins. It constantly watches and advises all agencies on their security procedures.

The aim of the Government security officers is to avoid any more "public-issue cases," like that of Dr. Peters, and at the same time keep disloyal persons out of the Government.

THESE MEN GET THE JOB OF ENDING SEGREGATION

Problem Falls on Southern Judges—South Ready to Resist

If trouble comes over mixed schools, the men who will handle that trouble are the federal district judges in the South.

Nearly all those judges are native Southerners. The people they will have to deal with are their neighbors.

This describes the judges, the problems that they will face, and what they can—or cannot—do about them.

Ninety men now have the responsibility for carrying out one of the largest social changes ever attempted in the United States.

Those 90 men are federal district judges. They preside over courts in 21 States and the District of Columbia where separate schools for white and Negro pupils have been either permitted or required. Their responsibility is to carry out the Supreme Court's order that racial segregation in those areas must end.

Most of those judges are Southerners. They were reared in the Southern tradition of racial segregation. They live in areas where mixed schools are generally unpopular among white people. They know how their neighbors feel.

Some of the judges already have taken a stand on the issue by handing down rulings that upheld the constitutionality of separate schools. They have seen the Supreme Court reverse their decisions.

Now those men, by the Supreme Court's latest edict, have been handed the job of enforcing upon their neighbors a ruling that they themselves or their neighbors have long opposed.

The job, it is becoming obvious, is not going to be easy. The South, generally, is showing reluctance to change its educational system. Methods of delay are being discussed. Open opposition is being threatened in some areas.

The judges most likely to encounter opposition and delay are those pictured on this page and pages 37, 38 and 39. They are the 25 federal district judges in seven Southern States where the Negro population is most concentrated. In all of those States, more than 25 per cent of the school pupils are Negroes: in Mississippi, 48.1 per cent; South Carolina, 42.7 per cent; Louisiana, 37.9 per cent; Alabama, 34.7 per cent; Georgia, 32.6 per cent; North Carolina, 29.4 per cent, and Virginia, 25.2 per cent.

If real trouble develops, the judges in these areas, it is generally expected, are the ones who will have to deal with it.

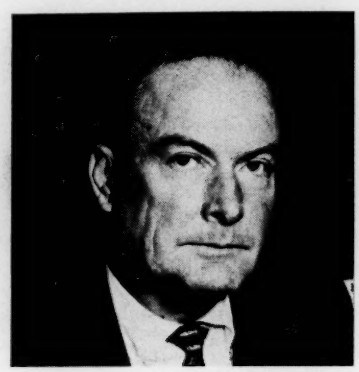
Judges' course now. What, people are now asking, can a judge do if a State, a county or a school district fails to do away with its separate schools?

An answer often overlooked is this: A judge probably can do nothing until a suit is filed in his court.

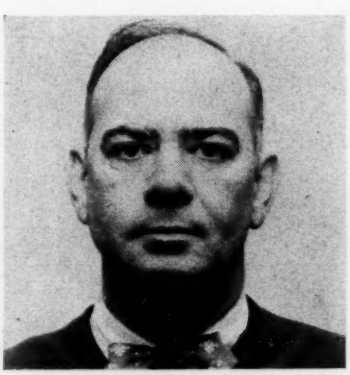
Many people, as a result of the Supreme Court's ruling, have the idea that district judges throughout the South now must swing into action and issue sweep-

LOUISIANA

Judge Herbert W. Christenberry, New Orleans. Age, 57. Born in New Orleans. Appointed in 1947 by President Truman.



Judge James Skelly Wright, New Orleans. Age, 44. Born in New Orleans. Appointed in 1949 by President Truman.



Judge Benjamin C. Dawkins, Jr., Shreveport. Age, 43. Born in Monroe, La. Appointed in 1953 by President Eisenhower.

Judge Edwin F. Hunter, Jr., Lake Charles. Age, 44. Born in Alexandria, La. Appointed in 1953 by President Eisenhower.

ing orders to officials everywhere to start integrating their schools. But this, as legal authorities explain it, is not the way it will work.

Judges, these authorities say, are not given general administrative supervision over any district's school system. They cannot reach out, where their jurisdiction has not been invoked, and issue general orders to members of school boards or other officials.

A judge's role is pictured as purely that of an arbiter when a legal dispute is brought before him. In school districts where the issue has been raised, as in Clarendon County, S. C., and Prince Edward County, Va., which figured as defendants in the Supreme Court test case, district judges now can proceed with orders to integrate.

In other districts throughout the South, however, with no issue before the courts, judges are described as powerless to act until a suit is filed.

That is a situation that is giving hope to many Southerners who want to put off mixed schools as long as possible. Their hope is that, for a long time at least, Negroes can be dissuaded from forcing the issue in many localities. The idea is: No suit, no court order; no court order, no mixed schools.

If a suit is filed, what does a judge do then?

The general course is now clear: He must uphold the principle of no segregation established by the Supreme Court. He must, the Court has declared, "require that the defendants [school officials] make a prompt and reasonable start toward full compliance. . . ."

Wide discretion, however, is granted to the judge in compelling the change-over from segregated to mixed schools. No time limit is set for completing the change. The judge may, the Supreme Court has said, consider administrative difficulties and allow time for those difficulties to be worked out.

This is viewed by many Southerners as providing further opportunities for delay. And it is here that they look hopefully to the district judges.

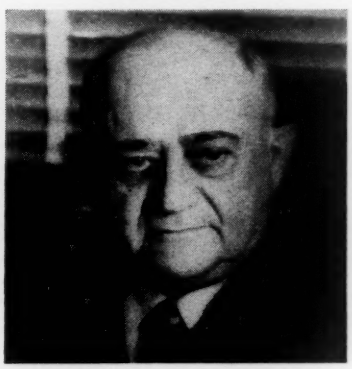
Of the 25 district judges in the seven Southern States listed here, only one judge was born north of the Mason-Dixon line. All the others grew up in the South, attended "whites only" schools, became familiar with Southern attitudes.

Most of the judges held elective offices before mounting the federal bench —and Southerners who oppose segregation are not often elected to anything.

Previous rulings. Three of the 25 judges pictured here ruled against Ne-

SOUTH CAROLINA

Judge George B. Timmerman, Columbia. Age, 74. Born in Edgefield County, S. C. Appointed in 1942 by President Roosevelt.



Judge Charles C. Wyche, Spartanburg. Age, 69. Born in Prosperity, S. C. Appointed in 1937 by President Roosevelt.

Judge Ashton H. Williams, Charleston. Age, 63. Born in Lake City, S. C. Appointed in 1952 by President Truman.

ALABAMA

Judge Seybourn H. Lynne, Birmingham. Age, 47. Born in Decatur, Ala. Appointed in 1946 by President Truman.

Judge Daniel H. Thomas, Mobile. Age, 48. He was born in Prattville, Ala. Appointed in 1951 by President Truman.

Judge Harlan H. Grooms, Birmingham. Age, 54. Born in Montgomery County, Ky. Appointed in 1953 by President Eisenhower.

groes in the school suits that led up to the Supreme Court's reversal. One other judge has upheld racial segregation on a municipal golf course. Still another upheld the barring of a Negro from a State university's law school. Several others, in years past, have upheld segregation in one form or another.

It is not the idea of Southerners that these judges now will fail to obey the Supreme Court or will evade its directives. But it is the expressed hope of many Southerners that these judges, also Southerners, will view with sympathy appeals for time.

How could a judge enforce his order to integrate schools?

A school-board member or other official who fails to carry out a court order can be cited for contempt of court, and be fined or jailed.

Will Negroes be forced to file a suit in every school district in order to compel action toward integration?

Theoretically, that is true, legal authorities concede. And, if delay is widespread, hundreds of suits may be filed. But actually it is expected that many areas, perhaps most, will act without waiting for suits. A few entire States are already falling in line. A multiplicity of suits would be required only in those States that hold back.

Could it happen that in some districts, where no suits are filed, segregation might remain undisturbed for many years?

"In some places, here and there," one high legal authority conceded, "that might possibly happen. But, eventually, suits will be filed. They can't stave off the inevitable forever."

What courts may face. Simple delays, however, are not expected to be the only problems that judges will encounter. In several Southern States, campaigns are being mapped that could compel courts to consider many kinds of alternatives to outright integration.

Actions such as these are being discussed: Repeal laws on compulsory school attendance, so children cannot be compelled to attend mixed schools. Gerrymander school districts, to keep the two races out of the same districts where possible. Segregate students on some pattern other than race. Decentralize school administration, to multiply the number of suits necessary to reach all classrooms. Withdraw State or county financial support from schools that admit both races. Abandon public schools, as a last resort.

Wherever such devices are attempted, the men who will have to pass on their legality are the federal district judges. The outlook now is that they may be hearing segregation cases for many years yet to come.

VIRGINIA

Judge Sterling Hutcheson, Richmond. Age, 60. Born in Mecklenburg County, Va. Appointed in 1944 by President Roosevelt.

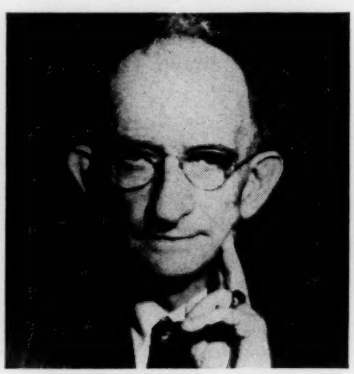
Judge Albert V. Bryan, Alexandria. Age, 55. He was born in Alexandria. Appointed in 1947 by President Truman.

GEORGIA

Judge Frank A. Hooper, Atlanta. Age, 60. He was born in Americus, Ga. Appointed in 1949 by President Truman.

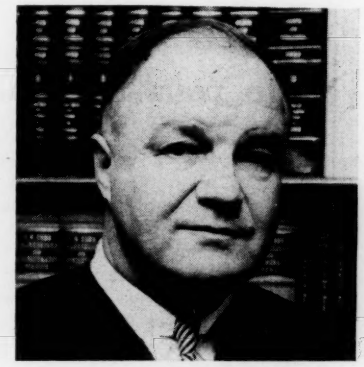
Judge William Boyd Sloan, Gainesville. Age, 59. Born in Gainesville. Appointed in 1951 by President Truman.

MISSISSIPPI

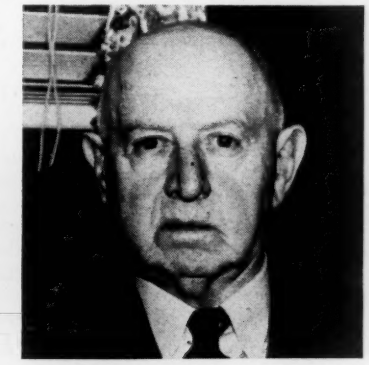


Judge Allen Cox, Aberdeen. Age, 68. He was born in Baldwin, Miss. Appointed in 1929 by President Coolidge.

Judge Sidney C. Mize, Biloxi. Age, 67. Born in Scott County, Miss. Appointed in 1937 by President Roosevelt.



Judge Walter E. Hoffman, Norfolk. Age, 47. Born in Jersey City, N.J. Appointed in 1954 by President Eisenhower.



Judge John Paul, Harrisonburg. Age, 71. He was born in Harrisonburg. Appointed in 1931 by President Hoover.

Judge Alfred D. Barksdale, Lynchburg. Age, 62. Born in Halifax, Va. Appointed in 1940 by President Roosevelt.

Judge Thomas Hoyt Davis, Americus. Age, 62. Born in Braselton, Ga. Appointed in 1945 by President Roosevelt.

Judge Frank M. Scarlett, Brunswick. Age, 64. He was born in Brunswick. Appointed in 1946 by President Truman.

Judge William A. Bootle, Macon. Age, 52. He was born in Walterboro, S. C. Appointed in 1954 by President Eisenhower.

NORTH CAROLINA

Judge Donnell Gilliam, Wilson. Age, 66. He was born in Tarboro, N. C. Appointed in 1945 by President Truman.

Judge Wilson Warlick, Statesville. Age, 63. Born in Newton, N. C. Appointed in 1949 by President Truman.

—United Press Photos

Judge Johnson J. Hayes, Wilkesboro. Age, 69. Born in Purlear, N. C. Appointed in 1927 by President Coolidge.

Polio Vaccine—Is It Really Safe Now?

Latest Official Answers to Your Questions

What top health officials now say about polio vaccine—how safe and effective it is, what went wrong—is given here.

Nobody in authority, in or out of Government, denies now that things did go wrong.

Tests, at the outset, were inadequate. Live virus did get into some batches of vaccine.

Officials explain why they think this will not happen again.

More light gradually is being thrown on the Salk polio vaccine—its effectiveness and possible dangers.

Top Government health officials, and scientists closest to the polio picture, are revealing the causes of troubles that have beset the vaccination program. In official statements, they outline drastic changes being made.

Dr. Jonas E. Salk, the vaccine's developer, pinpointed angles in the problem for doctors at the American Medical Association's annual convention in Atlantic City. So did Dr. Leonard A. Scheele, Surgeon General of the U. S. Public Health Service, and Dr. James A. Shannon, associate director of the National Institutes of Health, a part of PHS. A just-released, 300-page report to President Eisenhower by the Department of Health, Education and Welfare adds further details.

Some things were wrong, it now is clear, in manufacturing processes of the vaccine distributed at the beginning of the inoculation program in schools.

Live polio virus has been found in samples from a batch of vaccine made by one company whose product was involved in outbreaks of the disease.

Original safety tests—set by the Government and thought adequate—proved not to be sensitive enough.

New standards make the vaccine as safe as medical science now knows how. But there still is some risk in taking it—as there is with any vaccine.

In what follows—from official statements—you get the answers to troublesome questions about the polio vaccine.

Is it certain the vaccine is safe?

Dr. Scheele says the fact that new supplies of vaccine are being approved by the Public Health Service for use "demonstrates our confidence in its safety and effectiveness."

Dr. Shannon adds that "new information acquired in the past six weeks is the basis of changes both in manufacturing procedures and testing. Although these changes have produced a dearth of vaccine at present, they will make possible a safer vaccine when the product begins to flow again."

What was wrong with the vaccine?

Dr. Salk explains it this way: "Recent re-examination of the manufacturing and testing processes suggested a need for adjusting the techniques employed . . ."

The report to the President said "unanticipated difficulties in production and testing" showed up only after the polio outbreak among some vaccinated children led to a study of all companies making the vaccine. "These experiences showed the need for better process control during manufacture [and] for more sensitive and better-controlled testing methods . . ."

Government tests, Dr. Scheele admits, "were not devised to detect small amounts of residual live virus which the process was believed to reduce to an immeasurably low, harmless level."

Then was live virus in the vaccine?

Information now available, Dr. Scheele says, "supports the hypothesis that cases among individuals vaccinated with Cutter [Cutter Laboratories] material resulted from the use of vaccine containing infective virus." He reports that one independent laboratory called in to help check the suspected vaccine "has reported the isolation of Type 1 poliomyelitis virus from a vial of vaccine . . . issued in one of the lots associated with paralytic cases in children."

The report to the President adds that polio cases after use of vaccine made by other manufacturers "have not been more numerous than would be expected at this season except for a few cases [possibly associated] with one lot . . . produced by Wyeth. That firm has withdrawn the unused portion of this lot."

—Black Star

FOR CHILDREN WHO ARE VACCINATED . . .
. . . the polio risk is lowered

How could live virus have slipped in?

The test standards established on the basis of last year's trials and manufacturing experience were theoretically adequate. The fact that technical factors showed up in large-scale production this year "argues against acceptance of the original concept" as a basis for safely inactivating the virus, Dr. Scheele reports.

The way the virus behaves, he says, "can operate to remove the . . . factor of safety" which was thought to have been built into the program.

Will new tests insure safety?

Dr. Shannon and Dr. Scheele say it is

"erroneous" to assume that "100 per cent safety can be assured." But, they add, "it is believed that recently revised requirements for manufacture and safety testing of the poliomyelitis vaccine assure the production of potent material as safe as present tests for virus detection can make it."

Does that mean children given the vaccine run the risk of getting polio?

The two Public Health doctors say that "the risk of such vaccine transmitting polio is negligible."

"There is always the possibility of very minute amounts of active virus in the vaccine," Dr. Scheele points out. "However, these amounts of active virus have been reduced as low as science can reduce them without destroying the effectiveness of the vaccine.

"The possible presence of very small amounts of active virus is true of all vaccines made—as this polio vaccine is made—from active virus. We have successfully used vaccines made from live organisms for as long as 50 years, because medical science knows that they convey a great benefit to mankind."

—United Press

DRS. SCHEELE & SALK
. . . a search for improved techniques

Is there a greater risk from the vaccine than from natural exposure?

Even though a child is vaccinated, Dr. Scheele explains, "there still will remain a chance that he will acquire paralytic poliomyelitis because the vaccine does not cause all children to develop immunity. This . . . is true because there is no such thing as a perfect vaccine—against poliomyelitis or any other disease. But—and this is the important point—the risk is much less than if the child were not vaccinated."

(Continued on page 42)

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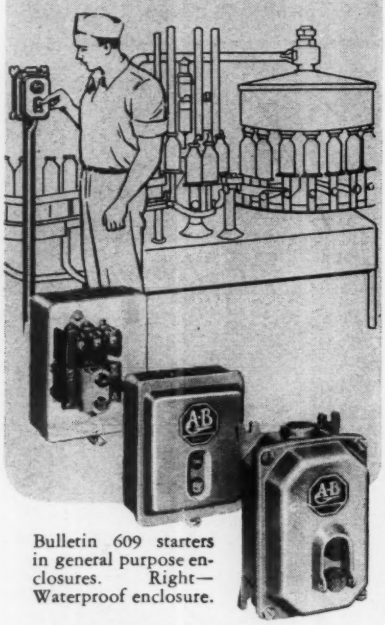

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[continued]

POLIO VACCINE—SAFE NOW?

Do polio shots provoke paralysis in children who already have the virus?

If this were the case, Dr. Scheele says, it could be expected that the above-normal outbreak of paralytic polio among vaccinated children would occur "in areas known to be experiencing some poliomyelitis, such as the Southern States." Dr. Scheele goes on: "The excess did not adhere to this pattern; instead they occurred unexpectedly in Idaho where no cases other than those associated with the Cutter product were observed."

Should shots be given in polio season?

Here is what Dr. Scheele says: "The decision to vaccinate or not to vaccinate an individual, or to vaccinate during the period of peak incidence or during local epidemics of the disease," rests with the family doctor or community health officer. That's because local factors must be considered.

More specific advice comes from Dr. Thomas Francis, Jr., who headed the group at the University of Michigan that evaluated the results of the 1954 vaccine trials. He says no first shots should be given when there is polio around. Second shots, though, should be given despite the presence of natural polio, since protection provided by the first shot offsets whatever risk there may then be.

How much protection do the shots give?

On this, Dr. Salk says that the level of disease-fighting antibodies "induced by a properly prepared killed-virus vaccine, properly used, can be higher than that induced" by natural infection.

Dr. Shannon adds that "there can be no doubt that the use of the vaccine this season will prevent a high percentage of paralytic poliomyelitis cases in vaccinated children in the age groups identical with those studied in the field trial." For every vaccinated child who contracted paralytic polio in the test areas where dummy shots were given for comparison, he says, 3 to 4 children who got dummy shots experienced paralysis.

Can you get polio from a vaccinated child?

The answer isn't clear-cut. Dr. Shannon and Dr. Scheele merely report that a number of cases have occurred among parents or brothers and sisters of vaccinated children. "No vaccinated children in these families had contracted paralytic poliomyelitis," they say, "but about one third of them had a minor illness within two weeks after inoculation and prior to the onset of poliomyelitis in other members of the family."

What about reports that too dangerous a virus is used in the vaccine?

Dr. Salk reveals he is investigating the use of a less virulent strain of one of the three types of polio virus incorporated in the vaccine. The strain now used is known as the Mahoney strain.

"This strain is characterized by great virulence," Dr. Scheele and Dr. Shannon point out. "Because of this characteristic it is at least theoretically possible for a minute dose of living virus to produce incapacitating paralysis. The hazard of the Mahoney strain has led some virologists to criticize its inclusion in the Salk vaccine . . .

"We would agree with Dr. Salk that the Mahoney strain should be replaced by a strain with less invasive virulence, and we can see . . . that the beginnings of this move are well under way."

–NIH

DR. JAMES A. SHANNON
. . . new procedures are "safer"

Is this vaccine the answer to polio?

Dr. Scheele says there are "many gaps in our knowledge of poliomyelitis-vaccine application."

"Optimum dosage, time interval between injections, [and] the duration of immunity after vaccination," he points out, ". . . are a few of the problems which remain to be solved with respect to this vaccine . . .

"The development and use of the Salk vaccine," Dr. Scheele sums up, "has opened the door on a new period in the control of poliomyelitis. Continuing research and observation will surely lead to further improvements and to eventual control of the disease."

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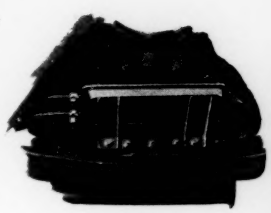

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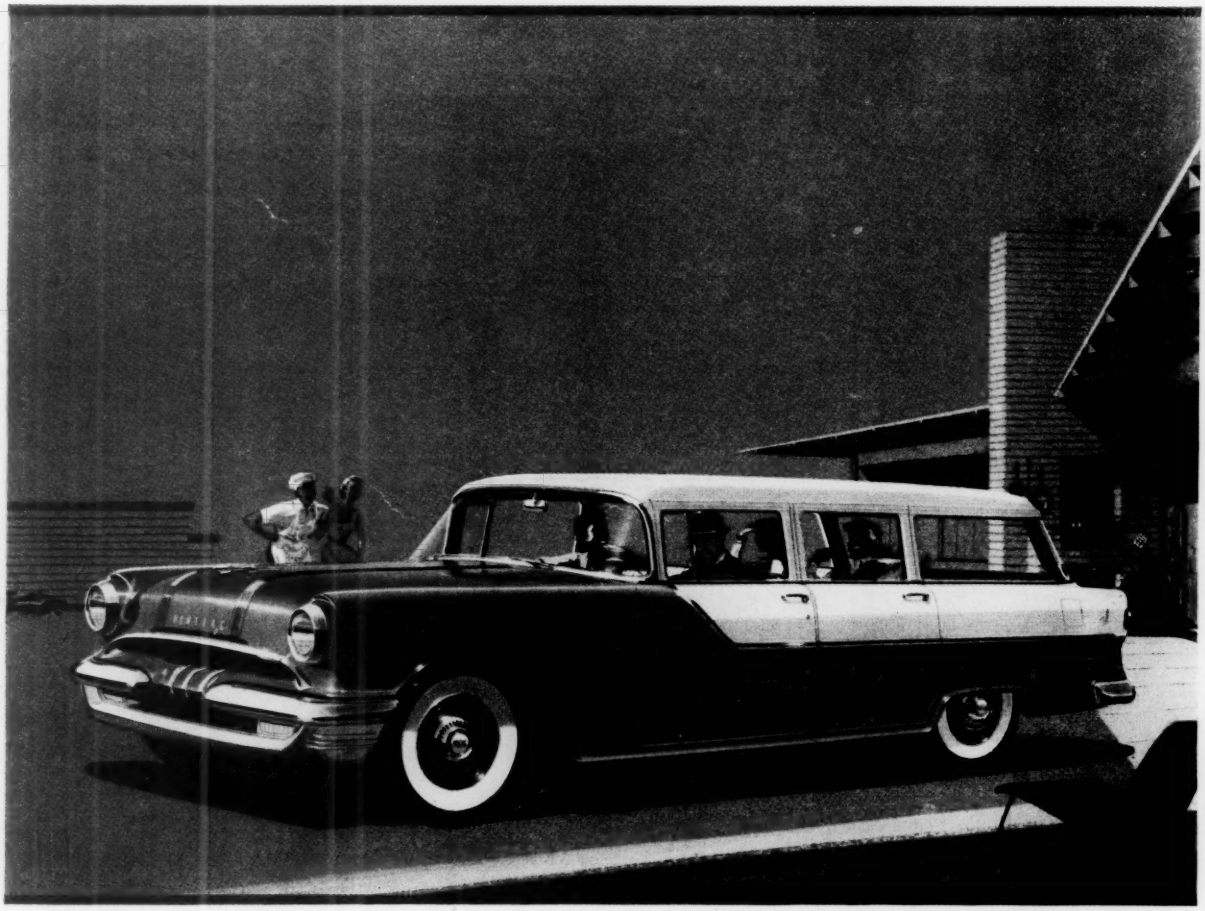

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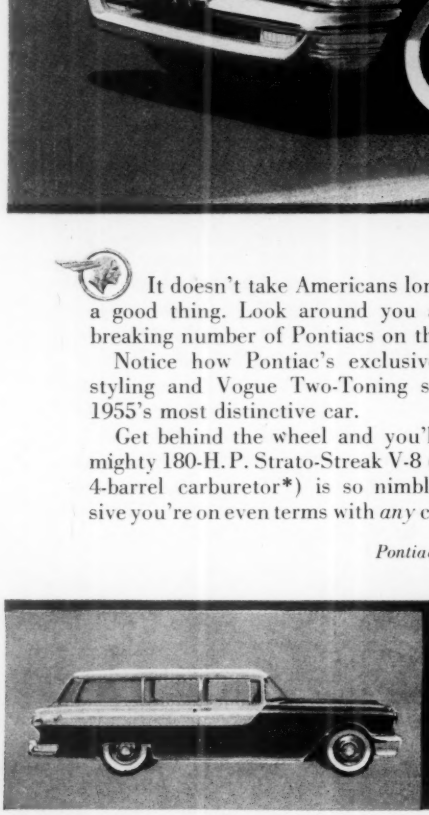

Pontiac leads in station wagon value with four models—the beautiful 860, left, in two- and four-door models, the spectacular 870 four-door and the fabulous Safari.

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LATEST ON SMOKING AND CANCER

More Figures to Prove Connection—They're Disputed

New light is being shed now on a major medical mystery—whether or not smoking really can cause lung cancer.

One report, made by the American Cancer Society on a study of 188,078 men with various smoking habits, shows smokers far more likely to contract cancer of the lung.

Another viewpoint disputes these findings, however. A top cancer expert of the U. S. Public Health Service gives his reasons, tells what he thinks is behind the increase in the number of cases of lung cancer.

To help you make up your own mind, both viewpoints are presented.

Argument continues over the part that smoking plays, if any, in the rise of lung cancer among American men.

Two viewpoints now are brought forward. One is a report by Dr. E. Cuyler Hammond and Dr. Daniel Horn, giving results of the American Cancer Society's latest study of the smoking habits and fate of men from 50 years of age to 70. The other viewpoint is presented by Dr. William C. Hueper, head of the Environmental Cancer Section of the National Cancer Institute, U. S. Public Health Service.

There is no dispute over the pronounced rise in lung cancer. Argument centers on its basic cause.

• The Hammond-Horn report, made on June 6 at the annual meeting of the American Medical Association, comes up with this conclusion: "Men who had a history of cigarette smoking had seven times the reported lung-cancer death rate as that for men who never had smoked. In proved cases of cancer originating in the breathing tubes, the ratio was 29 to 1."

Detailed results of the Hammond-Horn experiment are described in this way:

"Between January and June of 1952, we obtained usable information on the smoking habits of 190,134 white men between the ages of 50 and 69. These data were collected by volunteer workers of the American Cancer Society who annually report on the status of the men.

"The most recent follow-up included information on 188,078 of the men as of Oct. 31, 1954. The time span averaged about 32 months. During this period of time, 285 deaths occurred which were attributed to carcinoma of the lung."

Of these 285 deaths, 168 involved proven cancer of the lung tissue; 24 cases involved a different type of cancer in the lungs; 93 cases involved an uncertain, rather than proven, diagnosis.

The report further says: "Of 32,460 men who said that they had never smoked, 12 died with lung cancer indicated as the cause. This gives a standardized rate of 33.4 per 100,000 population.

"By comparison, 252 of 107,978 men who said that they had smoked cigarettes regularly at some time during their lives died of this cause. This gives a standardized rate of 245.5. . . . Thus the death rate attributed to lung cancer was about seven times as high for the men with a history of regular cigarette smoking as for the men who had never smoked.

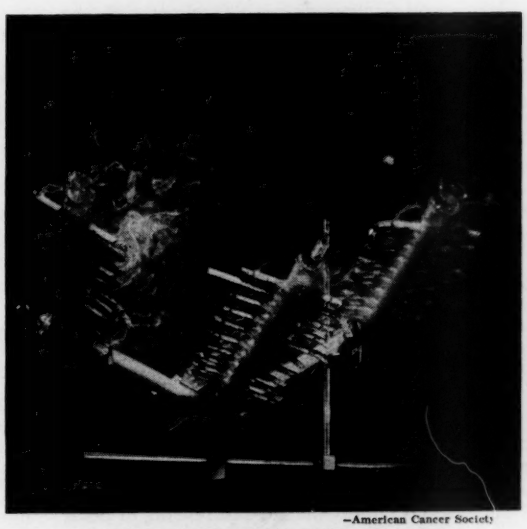
"The rate for pipe smokers, who had never smoked cigarettes regularly, was about twice as high as for the men who had never smoked.

"The rates for cigar smokers and for men who had only smoked occasionally were about the same as for men who had never smoked."

Later on, the report states: "Some people think of lung cancer as a rare disease. It is indeed a rare disease among men who never smoked, but it is by no means a rare cause of death among very heavy cigarette smokers.

"Of the 4,430 men in this study who were smoking two packs or more of cigarettes a day at the time of questioning, 30 were reported to have died of lung cancer during the ensuing 32 months. This gives a standardized rate of 734.1, which is nearly 20 times as high as the rate for men who had never smoked.

"Now consider the ex-cigarette smokers. Twenty-two lung-cancer deaths were reported among the 21,903 men who once smoked cigarettes regularly but were not smoking them at the time of questioning. This gives a standardized rate of 101.8 per 100,000 population. While this is much higher than the rate for men who had never smoked, it is only about half as high as the rate for the men who continued to smoke cigarettes regularly at a level of less than a pack a day."



—American Cancer Society

MACHINE "SMOKES" FOR RESEARCH
Experts disagree on the findings

• A contradictory viewpoint is expressed by Dr. Hueper in this way:

"Since it has been claimed on the basis of restricted statistical

Two Comments on Relation of Cancer and Smoking

Dr. William C. Hueper

Head of Environmental Cancer Section, National Cancer Institute, U. S. Public Health Service:

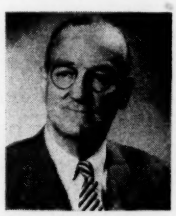
"During recent decades, the rise in lung-cancer frequency was not only associated with an increased consumption of cigarettes, but with a remarkable and in part even more pronounced rise in the construction of asphalted roads, consumption of motor fuel, and the production of industrial and domestic fuel oils, patent fuel, crude petroleum, petroleum asphalt, coal tar, isopropanol, asbestos, arsenic and chromium compounds and nickel—i.e., with conditions and materials having proven or suspected relations to respiratory cancers.

"Lung-cancer rates have been found to be up to several hundred per cent higher in industrial States than in agricultural States, in industrialized communities than in rural areas of the same State.

"The total epidemiological, clinical, pathologic and experimental evidence on hand clearly indicates that not a single but several, if not numerous, industrial or industry-related atmospheric pollutants are to a great part responsible for the causation of lung cancer."

Timothy V. Hartnett

Chairman of Tobacco Industry Research Committee:



"Criticisms made by scientists, with respect to the American Cancer Society study, are:

"1. A mere numerical association such as is claimed in that study does not establish any cause-and-effect relationship.

"2. The survey is limited to smoking habits and therefore does not rule out any number of possible other factors in present-day living that may influence death rates.

"3. The survey is shown to be nonrepresentative of the national population.

"4. The small number of deaths from lung cancer makes questionable any conclusions drawn, especially since the sampling methods of the survey are not statistically sound.

"Statistical studies of this nature can at best indicate areas that require study. This has been done, and scientists devoted to such study have recently reported their inability to identify any cancer-causing substance in tobacco-smoke derivatives."

and experimental evidence that cigarette smoking is the principal cause of lung cancer and was mainly responsible for its marked and progressive increase, a critical evaluation of the evidence available which does not support this contention and which indicates that other environmental factors play a more important part may be in order, so as to obtain a balanced assessment of the causal aspects of the lung-cancer problem.

"Several recent statistical analyses failed to confirm any consistent quantitative correlation between cigarette smoking and lung cancer. Then the methods used in the Cancer Society study indicate that that sample was not necessarily a cross section of the general population.

"A distinct increase in lung cancers started, for example, around the turn of the century, i.e., well before the cigarette-smoking habit became widespread and two decades before even the minimal latent period of any large number of potential cigarette-smoke cancers of the lung had elapsed.

"This increase in frequency of lung cancer was, moreover, not a uniform phenomenon, but was first observed in some highly industrialized regions and communities mainly located in Central Europe. Lung-cancer rates have preserved this irregular pattern into present times. The highest rates are in general found in large, industrialized communities. They drop gradually with the size of the community and the density of population to the lowest rates present in the rural, agricultural areas.

"Local variations in lung-cancer frequency, ranging up to several hundred per cent, as well as the graduated incidence pattern in urban-rural respects are not in harmony with the concept that one single habit factor has been operative in the production of lung cancer. These observations rather indicate that several, or many factors acting in different intensity and combinations and at different times have been active in bringing about this highly characteristic and significant pattern."

• The Hammond-Horn report, meanwhile, offers statistics bearing on the fact that lung cancer shows up more often in city dwellers, in this manner:

"Lung-cancer death rates, as reported by the National Office of Vital Statistics, are considerably higher in urban areas than in rural areas. The question has been raised as to whether the association between cigarette smoking and lung cancer occurs in both urban and rural areas or whether it occurs in urban areas only.

"In order to answer this question, we went back to the original records and classified each man according to the address he gave at the time he was questioned. The men were then divided into four groups, as follows:

"a. Cities of 50,000 population or more . . .

"b. Cities of 10,000 to 50,000 population . . .

Smoking and Cancer—New Study Shows This

BACKGROUND:

American Cancer Society kept records on 188,078 white men, aged 50 through 69, for 32 months. 8,105 of the men died. 168 died of cancer that was proved to have started in the lungs.

FINDINGS:

Heavy smokers—Lung cancer second to heart disease as cause of death— (two packs of cigarettes a day)	**1 CASE PER 148 MEN**
Moderate cigarette smokers—Lung-cancer rate high—	**1 CASE PER 710 MEN**
Ex-smokers of cigarettes—Lung-cancer rate lower, but still appreciable—	**1 CASE PER 996 MEN**
Pipe smokers—Lung cancer less prevalent—	**1 CASE PER 2,020 MEN**
Nonsmokers—Lung cancer rare—	**1 CASE PER 16,230 MEN**

Cigar smokers—Lung-cancer rate not significantly higher than among nonsmokers.

Occasional smokers—Lung-cancer rate not significantly higher than among nonsmokers.

Source: American Cancer Society

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"c. A mixed group, with rural addresses in metropolitan counties plus towns of 2,500 to 10,000 population regardless of where located . . .

"d. Rural areas, these being defined as towns of less than 2,500 population and rural-delivery mailing addresses . . ."

The report then went on to say: "As expected, the rural group turned out to have by far the lowest lung-cancer death rate. The cities of 10,000 to 50,000 had the next-lowest rate, while the other two groups had the highest rates.

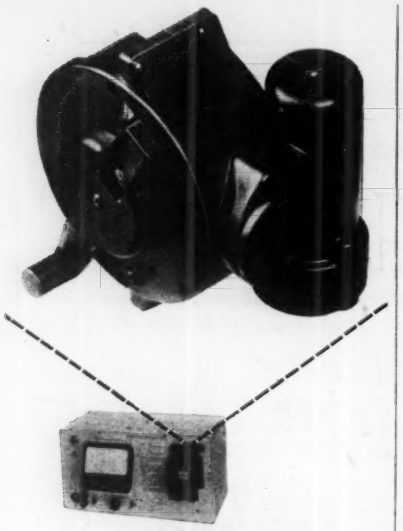
"However, the proportion of men in each type of smoking category varied considerably from group to group. For example, in cities of 50,000 or more only 13.9 per cent of the men had never smoked and 62.7 per cent had a history of regular cigarette smoking. In the rural group, 22.2 per cent of the men had never smoked and only 50.4 per cent had a history of regular cigarette smoking. This difference in smoking habits was sufficient to account for a part but not all of the difference in lung-cancer death rates in rural areas as compared with cities of 50,000 or more population."

• Dr. Hueper, however, comes up with a different underlying reason for lung cancer, to account for the greater number of cases among city dwellers.

"Observations suggest that industry-related pollution of the air may represent a distinct lung-cancer hazard for considerable portions of the general population, especially those residing and working in industrialized communities. This conclusion is supported by the fact that, during recent decades, the rise in lung-cancer frequency was not only associated with an increased consumption of cigarettes, but with a remarkable and in part even more pronounced rise in the construction of asphalted roads, consumption of motor fuel, and the production of industrial and domestic fuel oils, patent fuel, crude petroleum, petroleum asphalt, coal tar, isopropanol, asbestos, arsenic and chromium compounds and nickel—i.e., with conditions and materials having proven or suspected relations to respiratory cancers.

"Men working most closely with these air pollutants, in fact, have shown excessive liabilities to lung cancer. This has been recorded for transportation workers, rubber and plastic workers, painters, coal-tar workers, asphalters, stokers, patent-fuel workers, furnacemen, and rollers."

The conclusion reached by Dr. Hueper is this: "While the available data do not permit any definite statement as to the relative importance of the various recognized respiratory carcinogens [agents causing cancer in the lungs] in the production of lung cancers in the general population, they nevertheless unmistakably suggest that cigarette smoking is not a major factor in causation of lung cancer, nor had it a predominant role in the remarkable increase of these tumors during recent decades."



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PHENOLIC PLASTICS THAT FIT TODAY'S PRODUCTS for the new Competitive Era

Pay Parade: Government Workers Are Catching Up

Federal payroll is rising by 1.2 billion dollars this year. Nearly everybody who works for Government is getting a raise.

Aim is to attract career men, good workers. But top-bracket salaries remain low, compared with private industry.

Pay of workers in Government, like that of workers in private business, is on the way up again. The round of increases now started is expected to bring the Government pay scale into line with the rise in living costs, and restore some incentive for career men to work up to higher jobs.

Members of Congress and federal judges got a raise in March. That added 7 million dollars a year to the cost of Government. Then the armed forces got their pay boost, which added 700 million more to the annual cost of the Government's operations.

Now postal workers are to get an average increase of 8 per cent. This raise goes to 504,000 employes and will push up yearly costs of the Post Office Department by 192 million dollars. It makes more remote the time when the Post Office can pay its own way.

Mounting cost. Next is to be a raise for 1 million other employes of the Federal Government—adding about 300 million dollars more per year to the cost of running the Government establishment.

Altogether, pay raises granted in 1955 are to boost the federal budget by about 1.2 billion dollars. Taxpayers in general will bear the cost of most of the increase, although some part of the rise will flow back to the Treasury in the form of higher income tax payments by the federal workers.

With the raises, Government pay scales are to be considerably higher than private industry's rates for many jobs in the lower and middle brackets. But men in top operating jobs of Government will continue to make less than their counterparts in private industry.

The Post Office, for example, is a vast business, taking in 2.2 billion dollars a year. The Postmaster General, who runs it, gets $22,500 a year. The president of a private business of similar size could

HOW THE MAILMEN'S PAY WILL RISE

	PAY NOW	PAY IN FUTURE	RAISE, PER YEAR
POSTMASTERS *New York City and Chicago*	$13,770	$14,800	$1,030
POSTMASTERS *Typical large cities*	$11,770	$12,600	$830
POSTMASTERS *Typical small cities*	$5,570	$6,020	$450
POSTAL INSPECTORS *Average rate*	$6,770	$7,260	$490
MAIL CARRIERS *All cities and towns*	$4,070	$4,410	$340
RURAL MAIL CARRIERS *(includes vehicle allowance for average route)*	$5,223	$5,563	$340
CLERKS and MAIL SORTERS	$4,070	$4,410	$340
MAIL HANDLERS	$3,470	$3,790	$320

NOTE: Present pay scales based upon eight years' service. New pay scale becomes fully effective within next six months.

Source: Post Office Department

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expect a salary at least four times the Postmaster General's pay.

In the New York Post Office, to take another example, the top man gets $13,770 a year now, and will get $14,800 under the new pay plan.

At $285 a week, after his raise, this postmaster will run an office that has receipts of more than 200 million dollars a year, employs 35,000 people, includes more than 60 branches, operates more than 1,500 Government motor vehicles and 4,500 separate carrier routes.

The postmaster at Chicago gets the same pay as the New York postmaster. The Chicago office is smaller than New York's operation, but much larger than almost any enterprise in private industry headed by a $285-a-week man.

Salaries of other postmasters, in smaller cities, are scaled down in rough proportion to the salaries paid in largest offices, as the chart on page 48 shows. As a rule, the smaller the office, the closer the postal salary gets to the level paid for a comparable job in private industry.

A postman's raise. Letter carriers, now paid $4,070 a year, or $78 a week, after eight years' service, are to get $4,410 a year, or $85 a week, after six years' service, under the new pay plan.

Top pay, for a carrier with 25 years' experience, is to be $90.50 a week, up $6 over the present scale. Beginning pay, for the carrier in his first year, is to be $70 a week, compared with the present $63.

Clerks who sell stamps or sort the mail get the same pay and will get the same pay increases as letter carriers. The Post Office Department compares their jobs with that of shipping and receiving clerks in private industry.

These workers in private industry are paid within a range of $3,078 a year, in Memphis, to $4,222 in San Francisco. Postal pay is the same everywhere. So the postal clerk in Memphis gets 43 per cent more than his counterpart in private industry; the postal clerk in San Francisco gets 4 per cent more. Similar comparisons apply to mail handlers.

Pay "reform." The new postal pay plan represents an effort to take some injustices out of hodgepodge postal pay system that had grown up since World War II, as the result of piecemeal amendments to rates.

Biggest raises of all, in a few cases reaching nearly $5,000 a year, go to assistant postmasters and top administrative men in larger post offices, mostly bypassed in previous pay increases.

Even with the raises now given, the top men are found to be making relatively modest salaries, while pay for the average job is made more attractive in comparison with what private industry offers in most places.

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Where does Mason meet Dixon?

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The First National Bank
Atlanta 2, Georgia

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_____

Name_____

Address_____

City_____ Zone___ State_____

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BEHIND RED "PEACE" OFFENSIVE

Get U. S. Out of Europe, Lure Goods From West

If the Russians have their way, there will be little left for Eisenhower to talk about "at the summit."

Moscow is playing a fast game now. "Peace" offers pop up everywhere. Bid to Germany is just part of a pattern.

Red goal: Make all the big deals before the Big Four can meet; gain time to try to patch up the Communist world.

Reported from
BONN, PARIS, LONDON and BELGRADE

Moves are starting to come thick and fast on the chessboard of diplomacy. It is the Russians who are speeding things up, trying to get the jump on the Americans in order to recapture the initiative in the world.

Back of each move coming from Moscow is the trained hand of V. M. Molotov, the Soviet Union's seasoned Foreign Minister, a crafty old professional in the ways of diplomacy. Working closely with Molotov are India's Prime Minister, Jawaharlal Nehru, and his roving foreign-affairs expert, V. K. Krishna Menon.

Mr. Menon—a man with a long record of hostility toward Americans—is moving in and out of chancelleries all around the world. One day he is in London to see Prime Minister Sir Anthony Eden. Next he is on his way to the U. S., talking of a meeting with Secretary of State John Foster Dulles. He turns up in Peiping or Paris with his offers to help arrange things between East and West.

Prime Minister Nehru, who frequently sides with the Communists against the U. S. and its allies, has just been feted in Moscow, where he conferred with Molotov and other Soviet leaders. The Russians went out of their way to give him a lavish reception seldom accorded visitors to the Soviet Union.

It was Russia's goateed Premier, Nikolai Bulganin, who rode in the Moscow parade with Mr. Nehru; and it was the Communist Party boss, Nikita Khrushchev, who stole the show when the Russians visited Marshal Tito in Yugoslavia. But Western experts are becoming convinced now that it is the less conspicuous Molotov who is calling the big plays for the East.

Russia moves fast. The Russian game, as interpreted by Allied diplomats, is to move fast to make arrangements on Communist terms prior to any meeting "at the summit" with President Eisenhower and the Prime Ministers of Britain and France. Already, the Russians have signed up a deal with Austria bringing assurances of neutrality from that country. By sending Khrushchev and Bulganin to see Tito, the Communists moved to get things straightened out on their left flank. They managed, at the least, to restore Russia in the good graces of Tito.

Now invitations are out to Chancellor Konrad Adenauer in West Germany to visit Moscow and talk over the problems of his country. There are hints that the men in the Kremlin are ready to scuttle their Communist puppets in East Germany if that is what it takes to do business with the West Germans.

Meanwhile, small yet significant moves are being made along the side lines. Moscow is easing up a bit on Finland. The Russians have sent gold to Iran to settle a wartime debt long ignored. There are friendly gestures toward France and Turkey. The word is out that Greece and Italy can expect to hear pleasing news from the Kremlin—although there was no immediate hint of its nature.

All this means that, when President Eisenhower travels to Europe in July to talk with the Russians, there will be very little left to talk about, if Moscow's scheme works.

President Eisenhower is well aware that what is now going on is of worldwide importance. As the "cold war" specialists in Washington, London and Paris see it, the sudden flurry of moves by Moscow is aimed at two objectives—

—Black Star

GERMANY'S ADENAUER

—Hesse in the St. Louis Globe-Democrat

"THE ACE"

—Wide World

RUSSIA'S KHRUSHCHEV

It's a fast game of diplomacy the Russians have started

each of them basic to Russia's long-range plans.

What Reds want. The first move is to put over the idea of "peaceful coexistence" as a means of soothing the nerves of people in Europe who have been through 10 years of war jitters—Communist-inspired, for the most part.

Once the peace idea takes hold, then the Russians will expect to get concessions from the West, breaking down the barriers that have been raised against trade in strategic supplies. Those barriers have been more effective than the Communists are willing to admit. The Soviet world is almost starving for goods of all kinds, particularly for machine tools and heavy machinery with which to raise levels of production behind the Iron Curtain.

Russia's second move, flowing out of the first, is to encourage the idea that U. S. troops ought to leave Europe and Asia. That was a primary factor in the Austrian peace settlement. It is a major element in Soviet talks with the Japanese. If the Russians can get American troops withdrawn, the balance of power will tend to swing to the Communist side. This will be particularly true if the U. S. should pull out before the Germans get an army.

Countermoves of West. Aware of what lies back of the Soviet moves, the U. S. and its allies are trying to counter the Russian "peace offensive." The Foreign Ministers of Britain, France and the U. S. are getting together to see what they can agree to before they sit down to talk with Mr. Molotov. Western strategy, now taking shape, is an involved one.

The job is to avoid any weakening of

(Continued on page 52)

—Shafer in the Cincinnati Times

AT THE SWITCH

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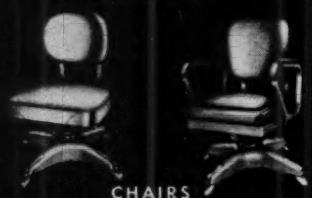

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[continued]

BEHIND RED "PEACE" OFFENSIVE

the military position in Western Europe. Years have gone into the arms build-up in the West and it is only in recent months that forces have been brought up to the point where commanders speak with confidence about their ability to knock back any Russian attack.

Gen. Alfred M. Gruenther, Supreme Allied Commander in Europe, feels now that the Soviet armies would be defeated if they launched an attack in Europe. The addition of German troops, he says, will make it possible for the Allies to move their defense line closer to the Iron Curtain—to hold all of West Germany against Russian attackers.

That is why the U. S. is determined that the Germans be rearmed before any important trade concessions are made to Moscow. Once the trade gates are opened, the Russians will be able to get their hands on the goods needed to ease a strain that has been growing in Communist China and all through the Soviet empire in Eastern Europe.

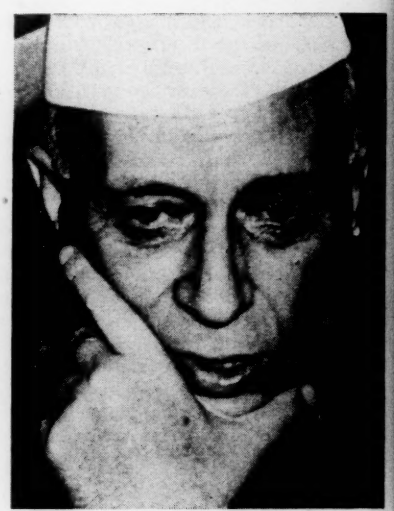
Time is believed to be on the side of the West. The Allies have complete confidence that Germany will not be stampeded into a costly deal with Russia as long as Mr. Adenauer is in charge. Also, Western experts are convinced that, in some respects, the Russians are moving out of desperation. Their system is in deep trouble. There is evidence that, with Joseph Stalin gone, Moscow lacks men with the skill needed to deal with the Communists' many problems.

Weakness in satellites. The U. S., countering Russia's diplomatic moves, is keeping in position to exploit every Soviet weakness that shows up, to set a price before making any concessions to Moscow. One price may be a demand that Russia give up her satellites. The Russian campaign to plant the "neutrality" idea around the world opens up, at the conference table, the question of giving satellites the right to determine their own form of government through free elections.

The Kremlin moves in Austria, Yugoslavia and Germany play right into this idea. Marshal Tito defied Moscow and Moscow gave in. The West Germans ignored Moscow and got an invitation to come in and talk things over. To people in the satellites, it may begin to appear that it is better to take a chance with the West than tag along with the Russians—who might sell them out at any time.

U. S. aid is a big factor in the countermoves, too. Tito will continue to get help from America. Germany is down for substantial military aid on top of the billions already put into that country. Japan needs the dollars she is being paid by the Americans. Few allies could afford the total cutoff of U. S. aid that would almost certainly follow, once they chose to go over to Russia's side. The Russians can't offer aid with any assurance it will come through.

Red desperation? It is a fast game of diplomacy the Russians have started, and many of the Western diplomats caught up in it are convinced that it is a game fed by something like desperation on Moscow's side. The Kremlin—courting Yugoslavia and Germany—is risking open rebellion in the satellites. The hope of the Soviet leaders is that they can get deals made quickly and start goods flowing their way in time to prevent internal trouble from turning into internal collapse.



—Wide World

INDIA'S NEHRU
. . . working closely with Molotov?

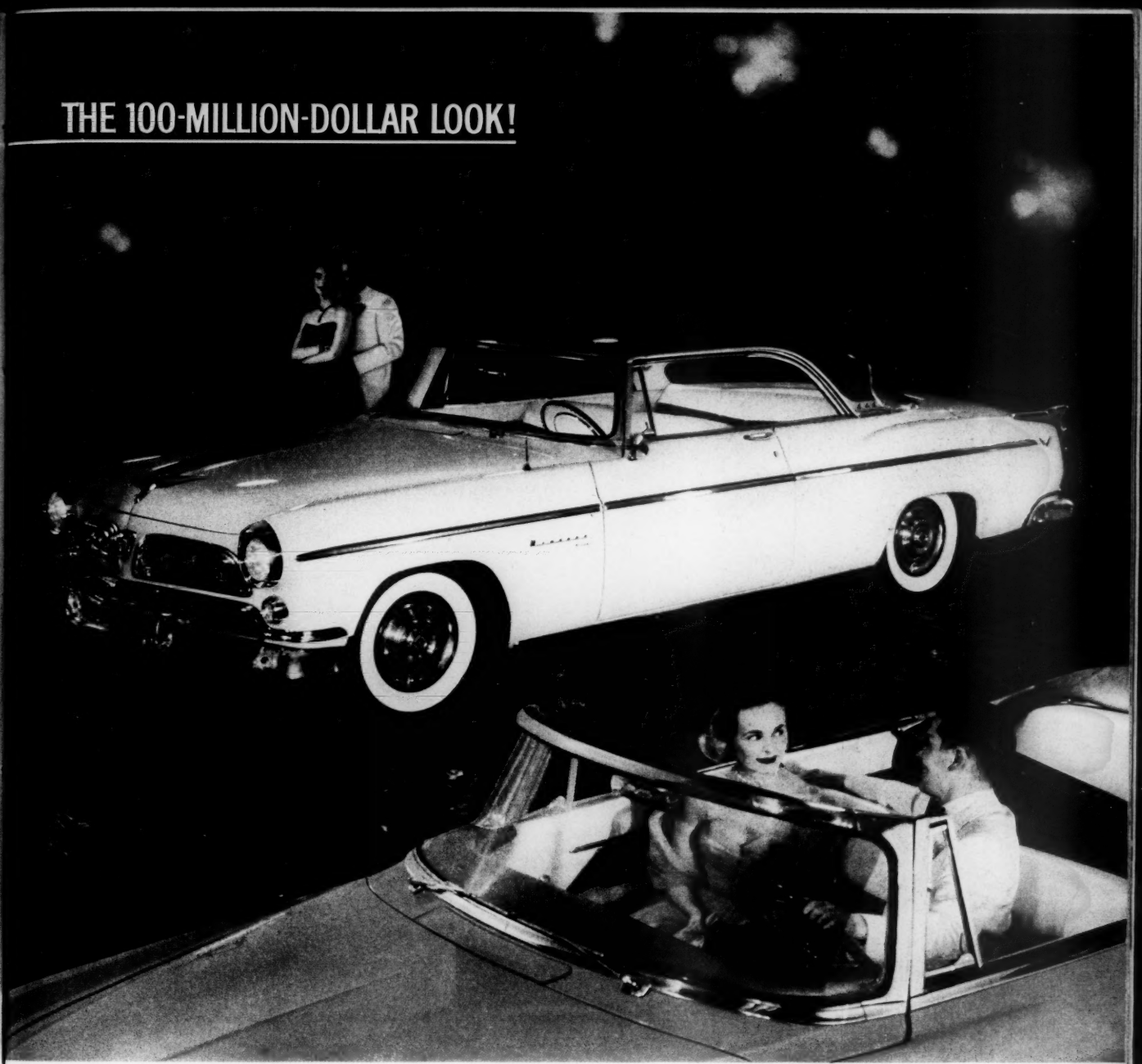
This is the way one of the trained observers at the Belgrade conference summed things up after watching the Russians in action there:

"The caliber of such men as Khrushchev is showing up now. We can expect quick shifts in policy because they haven't demonstrated the capacity to rule."

Another put it this way:

"You get the impression that events are running the men in Russia now, instead of men running the events. When that occurs it means the events are stronger than the men. In that situation, anything can happen."

Why Russia can't deliver promised machines—page 55.



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Air and atomic power can now go to sea...*under water*. The U. S. Navy today has weapons with striking power beyond imagination...Regulus guided missiles and a growing number of Nautilus class atomic submarines.

Regulus missiles were designed and built by Chance Vought for submarine or surface ship operation. These deadly pilotless "birds" can deliver powerful warheads against enemy targets from hundreds of miles at sea. They have brought *air power* to the underwater fleet...a fleet that is being even further strengthened by atomic submarines able to cruise at high speeds around the world without surfacing or refueling.

Both of these new weapons are prime examples of the vital contributions made by Your New Navy to strengthen the U. S. Defense team.

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Again, Russia Fails to Deliver

Promised Build-Up of Friends' Industries Falls Flat

Russia is having trouble helping her friends.

She promised to supply the world with industrial goods. But the figures show she is plagued with shortages, able to offer little except propaganda.

On the other hand, the facts show that the U. S. takes care of friendly countries.

The world is finding out that another of Russia's bold promises doesn't amount to much except words.

There was to be a steady stream of industrial equipment flowing out of Russia into satellite countries, and also to India, Malaya, Argentina—in short, any "underdeveloped" country that would trade on Communist terms.

The stream now turns out to be a thin trickle, kept up largely for propaganda purposes.

The idea of Russia's racing the United States to see which can do the most for the world's needy nations is becoming something of an international joke.

What can Russia do? The fact is that Russia falls far short of supplying her own industry, let alone the industries of other countries across the world. Far from being a supplier for the outside world, Russia is very heavily dependent upon imports of industrial equipment from other countries. Without such imports, Communist industry would fall flat on its face.

That picture shows up in the chart on pages 56 and 57. In a year's time, the entire Soviet bloc of Europe is able to supply to the rest of the world about 67 million dollars' worth of machinery, trucks and other transportation equipment, plus about 33 million dollars' worth of metals and metal products. In the same period of time, the Communist bloc goes to the world market to buy four times that much.

By contrast, the U. S. exports more than 5.6 billion dollars' worth of machinery and vehicles a year, 84 times as much as the whole Soviet bloc, and imports 353 million dollars' worth.

These are the figures that face countries looking for a place to buy machinery and other products essential to any build-up of industry.

Russia is making impressive gains in production of metals. She remains backward, by U. S. standards, in output of machinery, machine tools, spare parts, the finished equipment required by a country trying to industrialize.

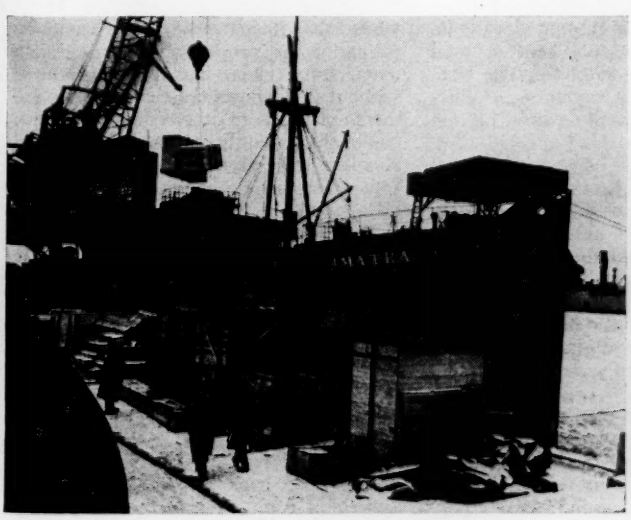
To supply what it takes for such a build-up, the world still must look to U. S. The Russians have little to offer.

Russian troubles at home. Russia is desperately in need of machinery and other equipment for her own industry, especially for those producing consumer goods. For more than a year, Russians have been trying to arrange in Britain for a mill to make tin plate for canning food. They are getting electrical equipment from Britain, Sweden, Belgium and Switzerland. They buy machinery for light industries, such as textiles, clothing and food processing, from a number of European countries.

The Russians angled recently to get some machinery from the U. S., only to be thwarted by export controls.

For years, Russia has been producing tractors, yet she remains poorly supplied. Russian farmers have, on the average, one tractor for every 1,200 acres of farm land, which means that they are among the most poorly equipped farmers in the world. U. S., by contrast, has one tractor for every 125 acres. Even the Soviet satellites, such as East Germany and Czechoslovakia, are better off in this respect than Russia herself.

Russian production of large tractors, at a time when a campaign is on to step up output of food and fodder, is running considerably behind that of five years ago. Most of the large tractors that are being produced go to new farm lands now being opened up. Farmers in older areas have to be content with a new type



—Sovfoto

RUSSIA NEEDS STRATEGIC IMPORTS . . . . . CAN'T AFFORD BIG EXPORTS

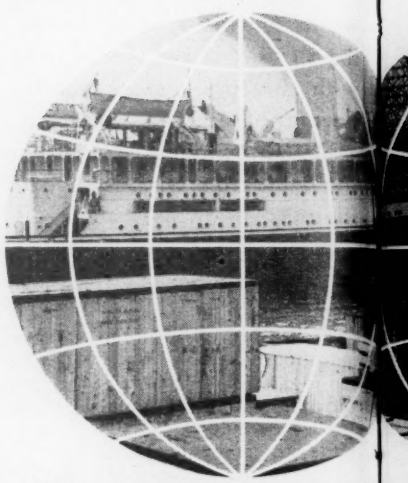
The Soviet Union's chief trading commodity is propaganda

CAN RUSSIA HELP THE NEEDY COUNTRIES?

SO OF THINGS THE "UNDERDEVELOPED" C

The Soviet bloc takes in four times as much as it supplies.

What the Soviet Bloc	*Exports**	*Imports**
Machinery and vehicles	$ 67 MILLION	$234 MILLION
Metals and metal products	$ 33 MILLION	$196 MILLION
TOTAL, both groups	$100 MILLION	$430 MILLION



*Latest available year for Soviet, 1953; U.S.

Source: Commerce Department

of small tractor, and not many of these are to be had.

The United States, a much smaller country, produces nearly three times as many tractors as does Russia. As for exports, U. S. sells 60,000 a year abroad to Russia's 2,500. The story is the same on farm combines.

Trade and politics. To do as well as she has on production, Russia has drained the satellite countries of raw materials and other needed supplies.

Still, the Russian propaganda line makes a great show of how much is done to build up the satellites. Sometimes this propaganda backfires.

Not long ago, for example, a Soviet official boasted that Russia was shipping vast quantities of machinery to these other countries in the Communist bloc. In a single year, he said, these shipments amounted to 800 million rubles' worth. That would be 200 million dollars.

Quick figuring in the non-Communist capitals showed this amounted to relatively little, about 8 per cent of total Soviet exports to the satellites. The U. S. ships many times that amount to its allies and frequently pays the whole bill, in the name of foreign aid.

Implications of the boast soon became embarrassing to the Kremlin. If 200 million dollars' worth was all the machinery Russia could supply her own close allies, what help could she give the non-Communist countries she was trying to woo? So the boast was soon "corrected." The Russians tripled the figure. This only served to convince diplomats that the Russians, inadvertently, had let the cat out of the bag.

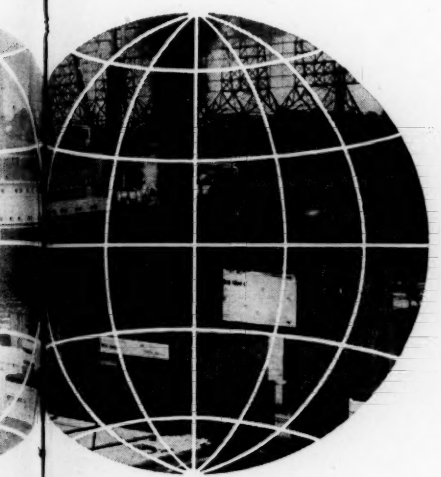
Incidents like this, along with the facts that seep through the Iron Curtain about what really is going on in Russia, explain why the world is not inclined to take Russia's offers of industrial equipment very seriously.

Diplomats around the world are convinced that Russian trade deals are made primarily for propaganda purposes, to make Russia look like a big producer without involving more than token shipments of goods to other countries. It becomes increasingly apparent that each Russian sale abroad means someone, somewhere in the Soviet area, has to go without.

Russians at times sponsor a new collective farm in China, sending it some Russian farm equipment with a great deal of publicity. To make this gesture, Russians have to slight their own farmers and those in the European satellites.

Russia has helped modernize a Chinese coal mine and has equipped a small steel mill in China, again with much fanfare; photographs were sent all over the world to show what Russia is doing. Meanwhile, back home, Russians are switching from steel to reinforced concrete in order to save steel in construction projects.

Russia promises other nations:
"Trade with us. We'll build up your industry."
The facts show:
Soviet bloc imports far more than it exports.



U.S. 1953 for comparison.

	What the U.S. *Exports**	*Imports**
Machinery and vehicles	$5,651 MILLION	$ 353 MILLION
Metals and metal products	$1,050 MILLION	$2,096 MILLION
TOTAL, both groups	$6,701 MILLION	$2,449 MILLION

COUNTRIES NEED MOST FOR INDUSTRY—

The U.S. supplies almost three times as much as it takes in.

© 1955, By U. S. News Pub. Corp.

Economically backward Red China is described by U. S. trade officials as "a bottomless pit" that could absorb everything Russia could possibly export for years to come.

Other Russian deals. Sometimes the skimping is done to make an impression on a non-Communist country. For instance, Russians recently sold a few hundred tractors in India at a very low price. They also sold a few in Argentina, and an Argentine provincial government bought some Russian road graders.

For one reason or another, big Russian offers have a way of running into delay.

Malaya was promised a chance to buy electrical equipment and a long list of other machinery. Thus far, the Russians have failed to come forward with any specific proposals.

India was to get a new Russian steel mill on long-term credit. After months of publicity, all the Indians have is a contract saying that the Russians will study India's requirements and come up with cost figures before the end of this year. Then, if the Indians like the terms, the mill is to be finished in 1959. If not, the Indians are to pay the Russians a fat fee for their study.

Shoddy goods? In some place, where Russia is trying to make a showing, she finds people are a bit dubious. Quality of Russian equipment is suspect.

A country that buys machinery from the U. S. knows the product has been tested in a highly competitive home market. When the country buys from Russia, it knows it is getting a product that was distributed at home on a take-it-or-leave-it basis and may be shoddy.

Russian shortages make other countries doubtful about obtaining replacements and spare parts when needed.

Those are reasons why the U. S. is likely for many years to be a far bigger source of supply for non-Communist countries that are trying to develop new industries. Here, there are plentiful supplies of things those nations need most. The U. S. and its allies are competing energetically to sell metals, machinery and vehicles all over the world.

The U. S. record. Looking back over the postwar period, the world finds that the U. S. Government has spent 50 billion dollars giving its allies, friends and former enemies supplies and equipment to build up industries of many types, raise living standards and strengthen their armed forces.

Now, the underdeveloped countries are getting a bigger share of this help. Factories, power plants, docks, roads, railroads and telephone lines are being constructed all across non-Communist Asia with U. S. help.

Thus, the U. S. is making good its promise to supply things struggling nations need. Russia is making a big noise but delivering little.

WHY THE BOOM BYPASSES MEXICO

Businessmen Put the Blame on Socialism

Mexicans are asking: Where's the boom?

U. S. business—prospering and looking for new ventures—is investing little money south of the border. Mexico lags behind its neighbors, despite a wealth of resources.

Inflation is a gnawing worry, unchecked.

Why? Is socialism the bugaboo?

It looks that way to many. Government is deeply involved in business, has an influential hand in almost everything.

To find out why the boom is bypassing Mexico, *U. S. News & World Report* talked to businessmen, economists, officials there.

Here is what they have to say.

Q Is Mexico having a business boom anything like that to be found to the north, in the United States and Canada?

A No. There has been some economic expansion in Mexico, but mostly it is seen in relatively small-scale business and industrial projects—nothing like the big capital investment and production gains in the other countries.

Q What is holding back Mexico's economic development?

A There are many factors that slow it up. However, one of the most important factors is the attitude of Mexico's Government toward foreign investment—in fact, toward private capital in any form.

For instance, if a foreigner wants to set up a corporation to do business in Mexico, he finds that there is a law that requires majority ownership by Mexican nationals in that corporation, unless the Government grants him a special exemption.

And the Government, except in special cases, requires that at least 90 per cent of the technical and unskilled workers of any company must be Mexican nationals.

On top of that, private capital—Mexican as well as foreign—is slow to invest in a country where the Government is getting deeper and deeper into business on its own account.

Q Is Mexico, then, a socialistic country?

A Not wholly. But there is much socialism mixed in with its economy. The petroleum industry that it took over from U. S. oil companies in 1938 is only a small part of the Government's operations.

The Government runs almost every railway. It has a monopoly on grain purchasing, and owns Mexico's biggest food-distributing firm. It owns many other companies—for instance, an aviation firm, power plants, mines, a food-freezing plant and so on.

Altogether, it is estimated that the Government now runs about 40 per cent of Mexico's business operations.

Q What has been the effect of that situation on Mexico's economy?

A One result is continuing inflation.

When American companies were producing oil, Mexico had lots of foreign currency. Mexico, in the 1920s, was the

(Continued on page 60)

FOR MEXICANS: WAGES LAG BEHIND A SPIRALING COST OF LIVING

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[continued]

WHY THE BOOM BYPASSES MEXICO

world's second-largest petroleum producer. The peso, then, was worth about 50 cents American.

Now Mexico has an unfavorable trade balance. The state petroleum industry exports little oil, and the peso, today, is worth about 8 cents.

That is one of the big reasons why the cost-of-living index in Mexico is about five times as high as it was in 1939. Workers get wage raises from time to time. For instance, they got a 10 per cent raise after last year's devaluation of the peso. But their wages, if anything, buy them less now than before.

Q Do the various Government industries bring in any revenues?

A On the contrary, the Government has to put money into its enterprises. In past years, there have been sums in the Government's annual budget amounting to 500 or 600 million pesos for "investments." In American dollars, at the old rate of exchange, that would amount to about 60 million dollars. And the Government gets no taxation revenues from its companies.

Q Are the federally owned industries run efficiently?

A Take the railroads, as an example. The biggest rail system was nationalized back in the early part of this century—during the time of the dictator Porfirio Diaz. Other systems were nationalized from time to time after that.

During the 1930s, the Government decided on an experiment. It turned the operation of the railroads over to the labor union of railroad workers. And the railroads became such an awful problem that, in six weeks, they went right back into the hands of the Government. They have been operated by the Government ever since. And the cost of operating them is 120 per cent of their receipts—which means that the Government takes a loss.

A very powerful union has a big voice in railroad operations. The men in the field often pay little attention to management. They pay attention to what the union officials tell them. If you go around, you see the railroads operating with nearly twice as many people as they need. Officials go by and see people loafing, and do nothing about it—the union members cannot be fired.

Q How long has nationalization been going on in Mexico?

A It really started on a large scale when Lázaro Cárdenas was President of Mexico—that means from about 1932 on.

Actually, there are not many cases of expropriation like that of the oil industry, in 1938. What happens more often is that the Government has to step in and take over a company that's in financial trouble—a company in which the Government already has a considerable interest.

This is the way it generally comes about:

A Mexican politician decides that some day he may retire from politics. Therefore he wants to start a business, just in case. Because of his political influence he can borrow a lot of the necessary capital—even all of it—from the Government investment bank, called the *Nacional Financiera*.

If that business does not turn out to be profitable—which is often the case—the Government bank has to take over the business to protect its loan. That, in effect, puts the business in Government hands. Then the bank puts somebody in charge. That person is supposed to pull the business out of the red. But that never happens, because usually he is a political appointee and not really qualified for the job.

Q Does the Mexican Government ever start any business or industry of its own?

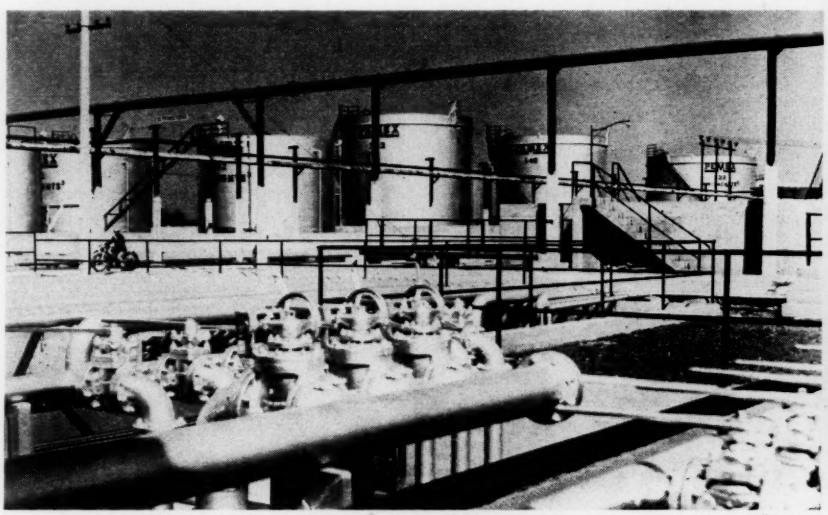
A That happens, too. For instance, there is the food-distributing agency called "CEIMSA"—the export and import company. It buys all the grains from Mexico's farms, and handles all the grain imports from abroad.

CEIMSA sells staple foods at retail through its own 560 local stores—it is the largest retail merchant in Mexico. And it supplies grain at wholesale to private dealers. It also imports lard and eggs, and things of that sort.

Farmers are required to sell their grain produce to this company. They have no choice. You cannot get a truck or freight car to ship any grain in Mexico except through CEIMSA. If a farmer gets out in his own truck on the highway, he can be stopped by police because only certain groups are permitted to do trucking on the highways.

Q What about the petroleum industry that the Mexican Government took over from U. S. companies? Is the Government doing a good job on oil production?

A There is an answer to that question, right across the Rio Grande—in the State of Texas.



—Guzman

MEXICO'S OIL
. . . Texas produces 10 times as much

Both Mexico and Texas have an abundance of the same subsoil structures that produce oil. So you have a basis for comparison in their oil production.

That comparison shows that Texas—just one State—is producing 10 times as much petroleum as all of Mexico.

For many years, "PEMEX"—that is the Government's oil subsidiary, *Petróleos Mexicanos*—put little into new properties and drillings. Then, in 1949, it announced a huge development program that was to cost 470 million dollars over a five-year period. Oil officials promised to raise production to 132 million barrels of crude by 1953.

Far from doing that, they managed to produce only 83 million barrels of crude by 1954. They claim this figure to be

almost double the amount produced by U. S. companies in Mexico in 1937, just before expropriation. What they do not point out is that production, last year, was less than half what it was in the early 1920s before the U. S. oil industries began to be hampered by Government interference.

Q What is the real trouble with Mexico's oil industry?

A Much of the Government's investment has gone into private pockets—graft. That was especially true before the present head of PEMEX, Antonio Bermúdez, took over. He is a former businessman himself, a successful one. But he can do only so much before he runs into political opposition.

There are a few good men like Bermúdez in the petroleum industry. But, ever since the Americans were kicked

—European

LABOR LEADER TOLEDANO
. . . funds from Moscow?

out, the industry has lost ground technologically. In Mexico today, you can see 8 to 10 men handling a drilling rig that 3 or 4 men handle in Texas.

Oilmen say the industry could trim its force by at least 10 per cent without reducing the output of petroleum. But that would be politically dangerous in a socialistic enterprise. The unions would fight any such reduction, and politicians with friends and relatives holding down jobs in PEMEX would also make trouble.

As a result, there is not much money left, after wastage, for capital improvements—for drillings, and so on.

And the Government's investment in its oil industry does not begin to compare, in volume, with the hundreds of millions of dollars in private capital that are invested in the Texas oil fields.

(Continued on page 62)

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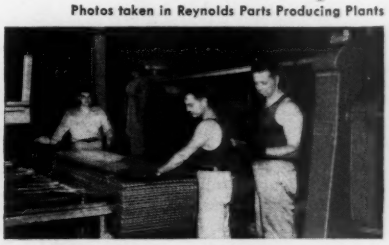

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[continued]

WHY BOOM MISSES MEXICO

Another difference shows up. Texas oilmen drill many dry holes—they have a saying that "gushers begin with dry holes." In Mexico, the Government is reluctant to take a chance on new areas. Many of the "new fields" announced by PEMEX turn out to be no more than extensions of existing oil fields.

Q Is it true that the Mexican Government is letting U. S. oil companies come back into the country again?

A American companies are going back in, but only to a very limited extent. There are strings tied to the Government's bid for foreign capital. The private operator takes the risk of drilling for oil. If he finds it, he gets 15 per cent of the production for the life of his 25-year contract with the Government in that new area. In addition, he gets 50 per cent more of the production until all of the exploration costs have been repaid.

Q Do these companies have any assurance against expropriation?

A Yes, everybody has more security today. Businessmen say it is because 30 years of socialistic experiments has finally convinced even the politicians that they need to make concessions to get oil in the large quantities that Mexico needs.

Q Does that point to a definite change of Government policy, away from federal ownership?

A Not yet. The Government is still taking on other activities. For instance, it is starting up a factory to make 10-ton diesel trucks—heavy machines for which there is no real market in Mexico.

Q How strong is the Communist Party—is it a danger in Mexico?

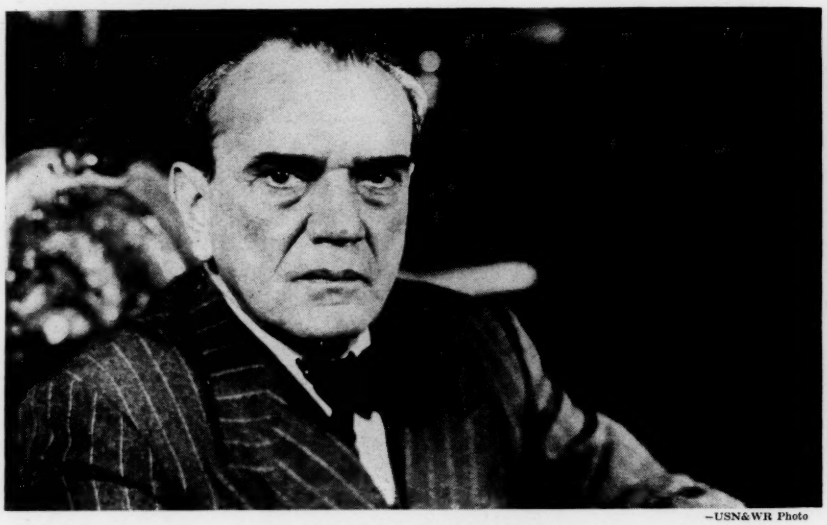
A In Mexico, Vicente Lombardo Toledano, the labor leader, makes annual trips to Moscow. He is believed to come back with large funds that the Russians give him to carry on extensive propaganda in Mexico.

The Soviet Embassy has the biggest building of any embassy in Mexico, and is said to have the largest number of employes. It has a whole printing plant, too. There is a magazine called *Cultura Sovietica*—"Soviet Culture"—telling of the trips of prominent Mexican politicians to Russia, how they are feted there and appear in public with Soviet officials.

The Communist Party of Mexico, itself, gets only a small vote, but it is extremely active. It has a newspaper, and for many years there has been a university called *La Universidad Obrera*—The Labor University—where Marxist doctrines are taught.

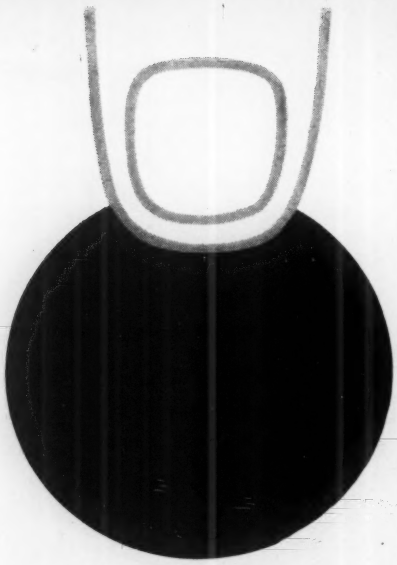
Q Mexico's President, Adolfo Ruiz Cortines, is described as a "conservative" who is trying to encourage private enterprise. Is that impression correct?

A He is regarded as a good and honest man. But businessmen say he is influenced by many left-wingers in Government, and by his 30 years of contact with the left. He has said that free enterprise can pull Mexico out of its economic troubles. But little has been done so far.



—USN&WR Photo

PRESIDENT RUIZ CORTINES
. . . a friend of free enterprise?



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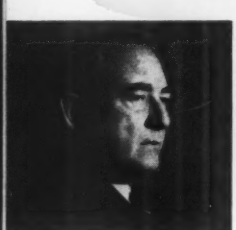

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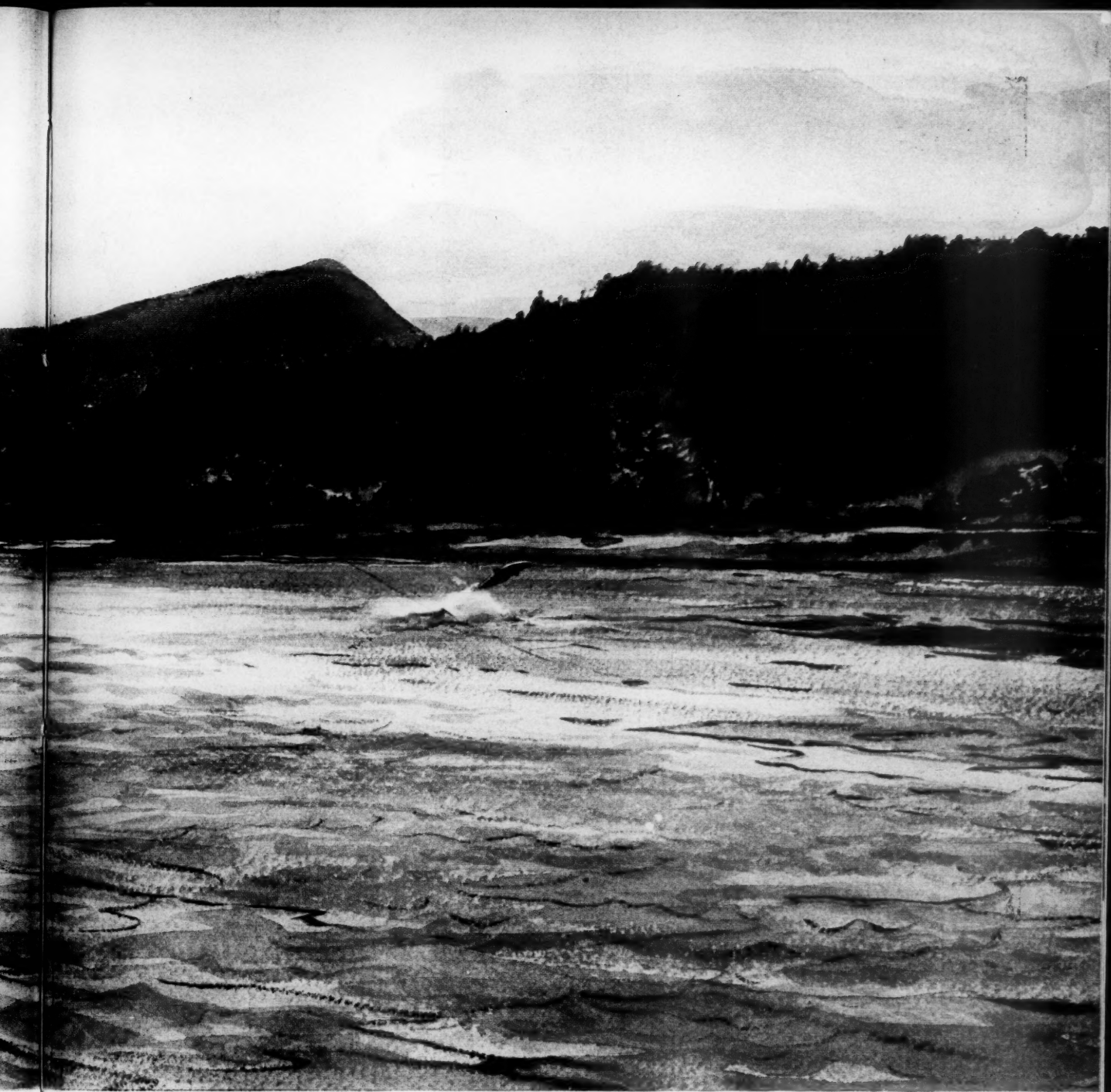

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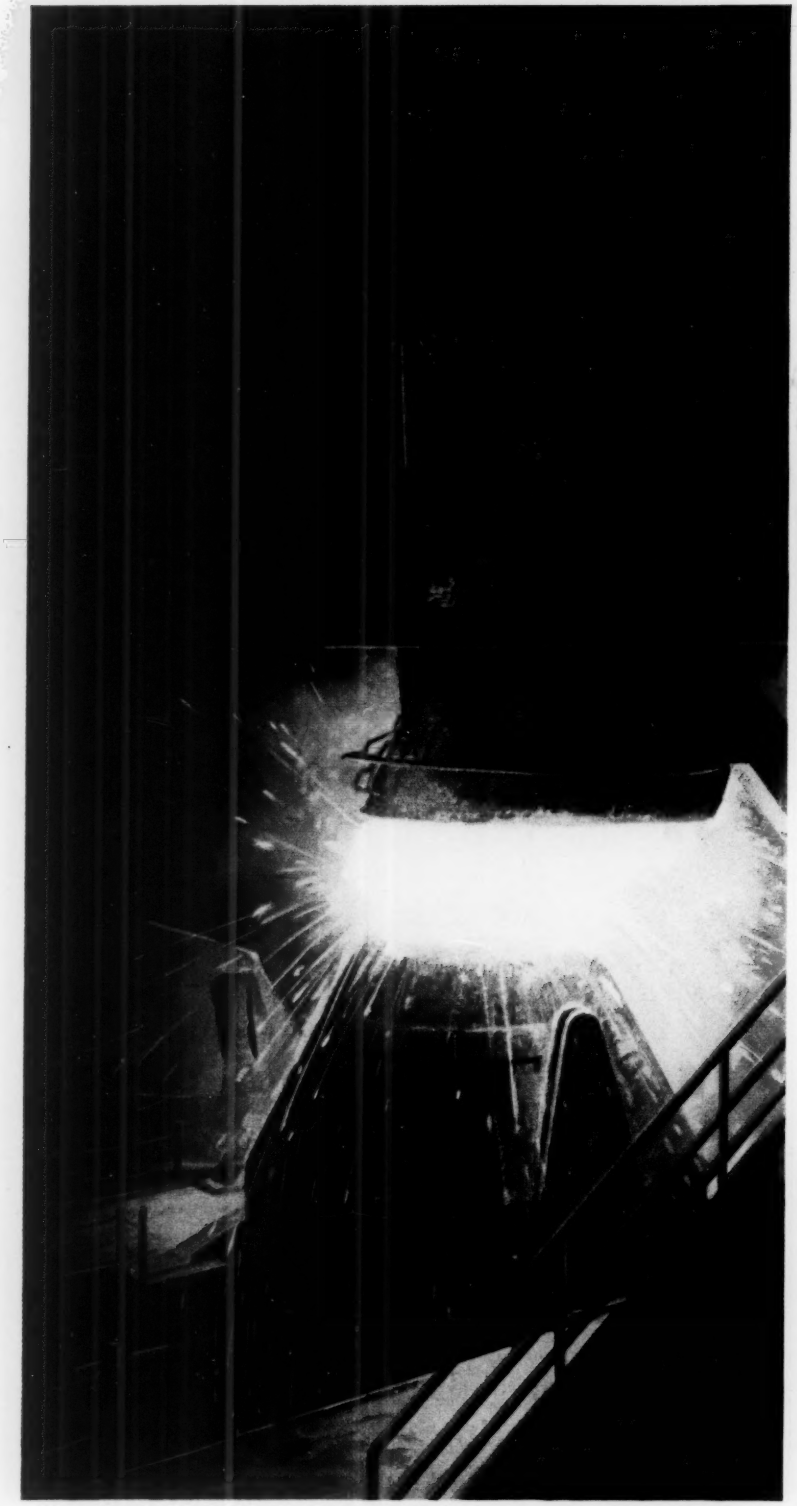

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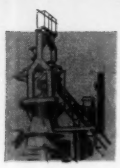

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THE MEN... Germany's Generals

THE NEWS... Seasoned Fighters

They Know War—and the Russians

Veteran, tested leaders are to take command of West Germany's armed forces. Most of them have fought the Russians in two wars. They bring experience and knowledge of Russia's fighting ways to the aid of the West.

—European

BONN

A HIGH COMMAND of tough, experienced, professional fighting men is being assembled to train and lead West Germany's armed forces, as those forces come into being.

Most of these men have seen service in two wars. They fought the Russians in both, beat them in the first and drove far into Russia in the second. They are familiar with the sort of enemy they may have to face in the East.

They were trained in the old German tradition. They have worn in some cases the decorations of the Germany of the Kaisers and of the regime of Adolf Hitler. But they also are military men who, as a rule, have kept out of politics and are ready to work with Allied leaders in defending Western Europe.

Top man. Gen. Ludwig Cruewell, who for a time led the hard-hitting *Afrika Corps* in World War II, is to be Inspector General of the Armed Forces, the man in over-all command.

General Cruewell is an expert on tank warfare. He led *Panzer* divisions into Russia and, later, he and his armored forces drove through the Yugoslav defenses in the Nisava Valley and captured Belgrade. Then he participated in the invasion of Greece.

In January, 1942, Cruewell was made a full general and given command of an armored corps in North Africa. There he served under the famed Field Marshal Erwin Rommel, who made life precarious for the British in the desert country. Rommel returned to Germany and Cruewell became temporary commander.

On June 1 of the same year, General Cruewell made an observation flight over El Alamein. His plane was shot down and the General spent the remainder of the war in a British prison camp.

General Cruewell, son of a printer and bookseller, enlisted in a cavalry regiment in 1911 and became a second lieutenant less than a year and a half later. Throughout the first World War, from 1914 to 1918, he did front-line duty as a second lieutenant and first lieutenant. He stayed with the Army of the Weimar Republic and the Hitler regime, became a brigadier general in November, 1939.

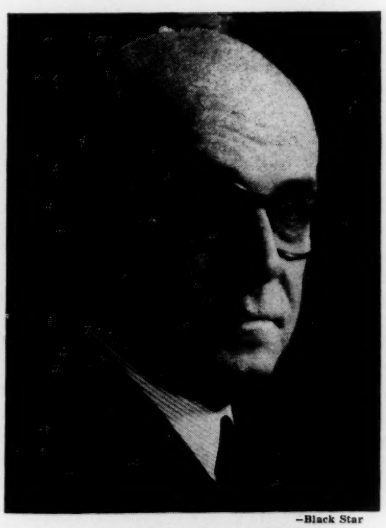
After World War II, in 1951, General Cruewell was elected the first chairman of an association of former members of the *Afrika Corps*. Addressing the association, he urged the veterans to support the present Government and the Western powers and warned against accepting members with radical ideas.

Strategist. Gen. Adolf Heusinger, who is to be Chief of Staff, is the only one among the new commanders who also was a member of Hitler's Supreme General Staff. There he distinguished himself in the field of logistics and general operational planning.

Since 1950, General Heusinger has been at the middle of all planning for the new German armed forces. He has acted as military adviser to Chancellor Konrad Adenauer and has been in charge of rearmament planning in the unofficial defense ministry. He is described as shrewd and skeptical.

General Heusinger started his military career 40 years ago as an enlisted man, got his commission in the first World War

(Continued on page 68)



—Black Star

GEN. LUDWIG CRUEWELL
. . . the man in over-all command?

—Black Star

GEN. ADOLF HEUSINGER
. . . strategy and logistics

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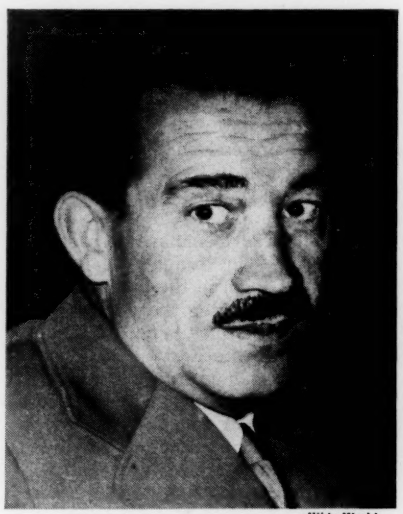
Bonn's new Staff Chief was a critic of Hitler . . .

and, like General Cruewell, stayed on to make the Army his career. Most of his World War II service was at General Headquarters on the Russian front.

Nevertheless, General Heusinger was standing at Adolf Hitler's side in East Prussian Headquarters when a bomb meant for Hitler exploded. This was the culmination of a plot by ranking generals to dispose of *Der Führer*. General Heusinger, who was aware of the plot but not of the date, was wounded.

The General himself had opposed the military coup, although he had become growingly critical of the conduct of the war. He was arrested under suspicion of having participated in the plot but



—Wide World

GEN. ADOLF GALLAND
. . . shot down 107 Allied planes

was released after two months without being given another assignment.

Army head. Gen. Walter Wenck, 54, who is to be Inspector General of the Army, himself commanded an army on the Russian front in World War II. Prior to that, as a tank officer, he took part in the German breakthrough into France in 1940. And, as the war drew to an end, he was given a special assignment.

In the last days, General Wenck was given command of a newly assembled army with the task of relieving Berlin of Russian encirclement and so of saving Adolf Hitler and his capital. It was too late. When that became apparent, General Wenck turned his efforts to directing soldiers and civilians across the River Elbe and so into American, rather than Russian hands.

After World War II, General Wenck

. . . German Air Force: 1,300 planes, 85,000 men

became an official of a Ruhr steel works. As an agent of that company, he has visited Generalissimo Chiang Kai-shek in Formosa and President Juan D. Perón of Argentina.

Airman. Gen. Adolf Galland, 42, a flying ace of World War II, is generally expected to become Inspector General of the Air Force, which is scheduled to grow eventually to 1,300 planes and 85,000 men.

The General is credited with having shot down 107 Allied planes. He was a general at 29. Galland learned to fly gliders in the days when the Versailles Treaty forbade other German aviation. He flew as a volunteer in the Spanish

—Wide World

GEN. WALTER WENCK
. . . fought on the Russian front

Civil War. And, after World War II, he spent five years as an adviser to the Argentine Air Force.

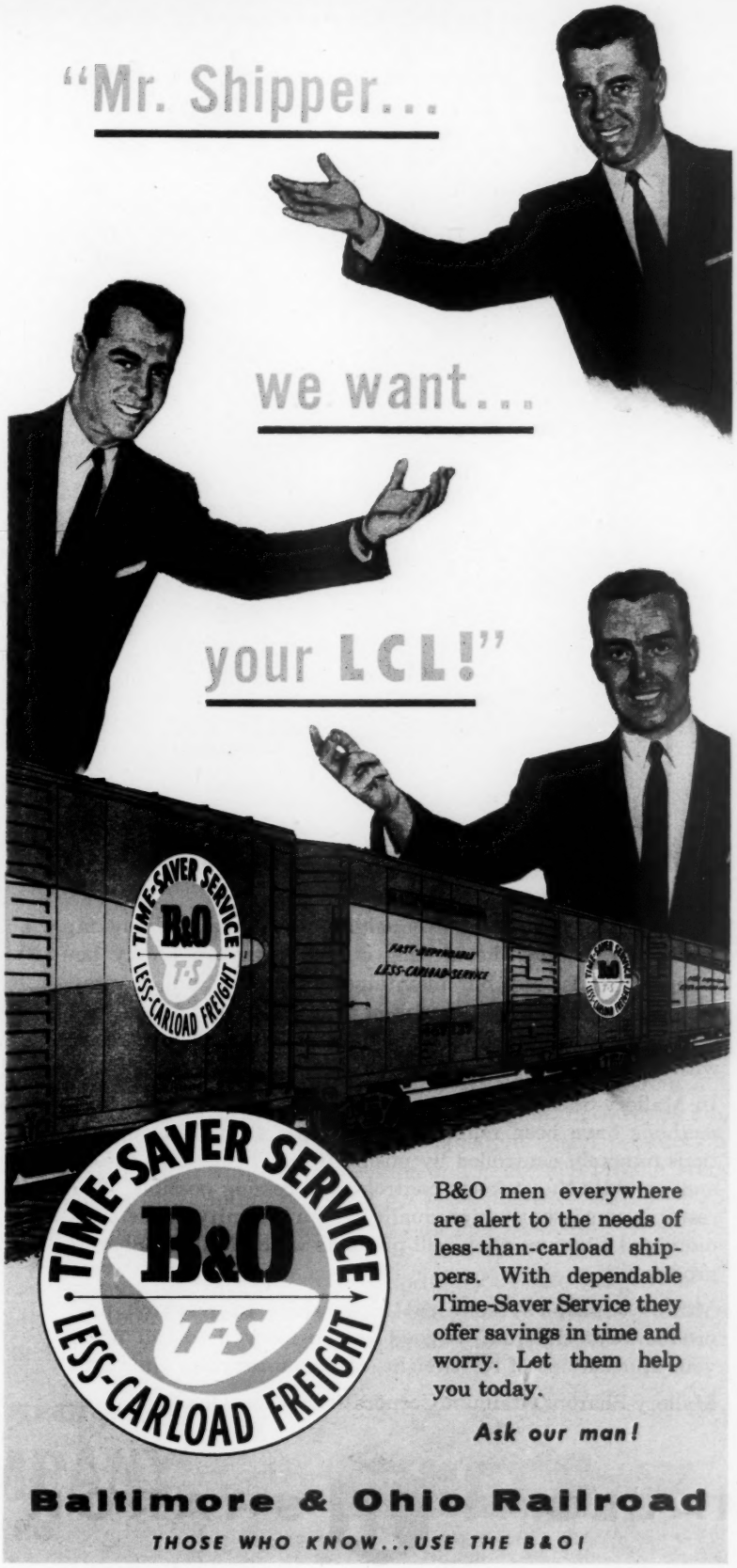
General Galland is believed to be the only surviving *Luftwaffe* World War II general who has had experience with jets.

U-boat man. Capt. Otto Kretschmer, 42, who had a burst of renown as a submarine commander in the early years of World War II, is scheduled to become Inspector General of West Germany's small Navy, a fleet of high-speed patrol boats with 25,000 men.

Captain Kretschmer, who entered the German Navy in 1930, was assigned to U-boat duty. In all, it is estimated that he sank some 313,600 gross tons of merchant ships, mostly British. He got to be known as "the wolf of the Atlantic."

The British captured him in 1941,

(Continued on page 70)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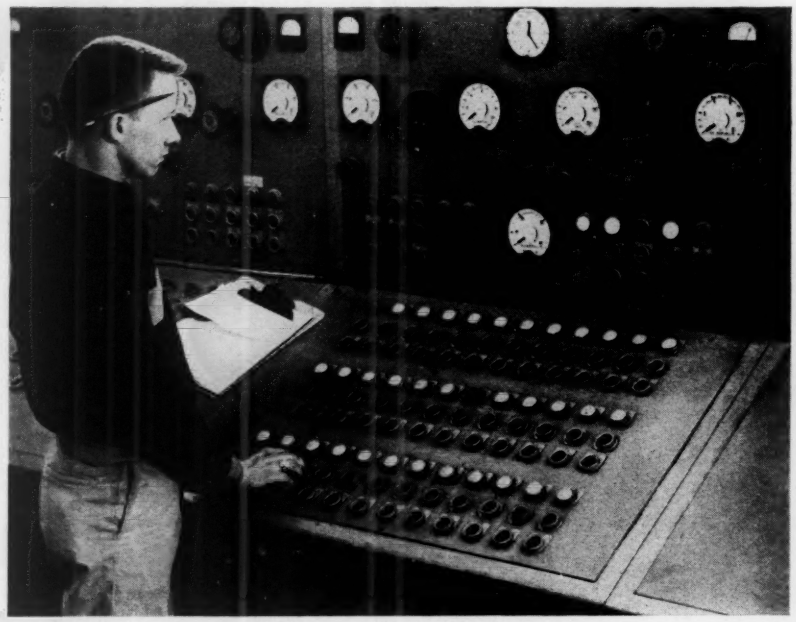

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. . . 380,000 ground troops for Germany's generals

however, and he spent the rest of the war as a prisoner in Canada.

Army group commanders. The West German land forces, eventually to comprise 380,000 men, are to be divided into two groups. In command will be:

• Gen. Hasso von Manteuffel, 58, a tank expert who led a *Panzer* army into the Battle of the Bulge, the German counterattack of late 1944 that dashed Allied hopes of a quick victory. A professional soldier since 1916, General von Manteuffel also saw tank duty in Russia and North Africa.

After the war, General von Manteuffel went into politics, became a member of the Bundestag and recently was one of a

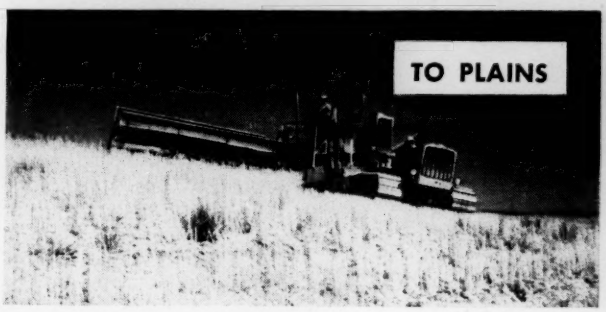
—International

CAPT. OTTO KRETSCHMER
. . . "the wolf of the Atlantic"

group that visited the United States. He is an advocate of the American system of civilian control of the military. General von Manteuffel is to command the "Army Group North." At the top of the Southern group is to be:

• Gen. Count Gerhard von Schwerin, 56, a professional soldier since he was 15 years old. He saw service in both world wars. At the start of World War II, he was removed from the General Staff because of a policy disagreement with Hitler. He then became a battle commander on several fronts and at one time had command of a corps.

Experience. Such are the careers and equipment of the men who are to command the German forces. They emphasize experience, professional qualifications and a knowledge of the potential enemy and his fighting ways.



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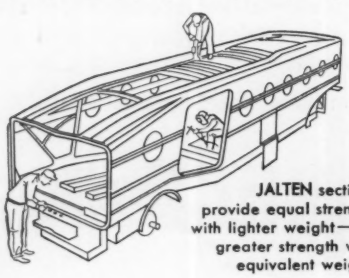

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FROM THE CAPITALS OF THE WORLD

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>> Keep in mind that what Soviet Russia really wants is this:

A stampede to peace, led by Russia.

A deal with West Germany, direct, bypassing the Western Allies.

Neutrality for everybody willing to buy it.

Coexistence for those not ready for neutrality, Soviet style.

Trade with everybody, particularly with those who have what Russia wants. That includes food. Raw materials, too. Preferably on credit.

Theme song for the world as Russia wants it: Let's just be friends.

>> Why not peace, then? Everyone wants peace. Why not go along with Russia? Perhaps, at long last, Soviet leaders have seen the light. Well, note this:

Relaxing tensions, Moscow style, means relaxing tensions with practically everybody. Austrians, Yugoslavs, Germans, Japanese--the Kremlin talks peace with them all. There are Soviet missions to London, to Paris, too. Neutral Nehru of India gets a big welcome in Moscow. One exception. You guessed it.

Aim of the Soviet peace blitz is to isolate the U.S.

>> Why all the rush, the hurry, by Soviet leaders? There is a deadline.

Talks "at the summit" are coming soon, proposed for mid-July, a month away. The top men of the U.S., Great Britain, France and Soviet Russia meet then.

Before that time the Kremlin wants to drive as many wedges as possible between the U.S. and its allies, between the U.S. and the rest of the world.

Moscow does not expect to win West Germany, France, Britain, overnight.

Moscow does expect to raise doubts and suspicions about U.S. policy, to open cracks in the Western Alliance, to provide openings for Moscow's line.

>> This much, say Western experts, you can expect "at the summit."

War talk will be out. Communists will not threaten to grab Formosa, the offshore islands, Indo-China. Asia will not be discussed.

Germany has top priority. The President will find out whether Soviet leaders are prepared to talk about free elections for a united Germany.

One condition, set by the West, stays firm. Germany must be sovereign, free to choose its own allies, free to rearm for the defense of Europe.

One conclusion looks certain to the experts. Whatever the outcome, the U.S. will be denounced by Communists as the enemy of peace, the champion of war.

>> All of a sudden, to Western Europeans, the mystery has gone out of Russia.

Men of the Kremlin, taking a big chance, are showing themselves. You can see candid camera shots of them in European newspapers. You can read all about them.

(over)

You can hear people, suddenly, talking about them as people, not symbols.

As supermen, aloof, mysterious, hermits of the Kremlin, rarely seen, men in the Stalin model made Russia distant, ominous, unpredictable, never funny.

As people, the Khrushchevs, Bulganins and Mikoyans now visible are human. They fit into types people know. They come out second best in exchanges of repartee with Western diplomats. They denounce the mistakes of their predecessors in office. They mug for cameras, bungle sometimes, show human failings.

Europeans can laugh at Russia's leaders now. Khrushchev, to Italians, is like a small-time ward boss, not like a Russian Mussolini. Bulganin, to Frenchmen, looks like a provincial mayor, not a Russian Napoleon. Mikoyan, to Britons, looks like a pushcart peddler, not a trade czar. It's rough on Soviet prestige.

>> All over the Soviet Union, the best athletes are hard at work on full-time, highly paid sports training. They are the "amateurs" under orders to go to Australia next year and win the Olympic Games of 1956 for the Kremlin.

This August, in Geneva, Switzerland, there will be another competition.

Officially, there is no contest in the "Atoms for Peace Conference." Idea, proposed by the U.S. and sponsored by the United Nations, is for the nations now applying nuclear energy to better living to tell and show what they are doing.

Actually, 84 nations will be watching the "Atomic Olympics" of 1955.

>> For Russia, the Geneva meeting is a challenge to put up or shut up.

Soviet talk has given the world the impression that the Soviet Union is far out ahead in applying nuclear energy to peaceful ends. While the U.S. makes bombs, Soviet propagandists say, Communists in the Soviet Union are using atomic energy to change the course of rivers, to make the Arctic tundra flower.

Soviet performance now has a chance to measure up to Soviet propaganda. At Geneva the world's top nuclear scientists are to present papers and to show through their exhibits that they are doing what they claim they are doing.

>> U.S., so far, has filed 524 scientific papers with the United Nations for presentation to the Conference. Soviet total, to date, 94 papers.

First paper to be filed when the U.N. opened its doors was a Soviet paper describing "the operation of a 5,000-kilowatt industrial atomic-power station." Only comparable U.S. atomic-power station is the one on the atomic submarine.

First exhibit announced by the U.S. was a $350,000 nuclear reactor to be operated on the spot by delegates to the meeting. In addition, U.S. private industry, including firms now building a 60,000-kilowatt reactor in Pittsburgh and a 250,000-kilowatt reactor to serve New York City, will have special exhibits.

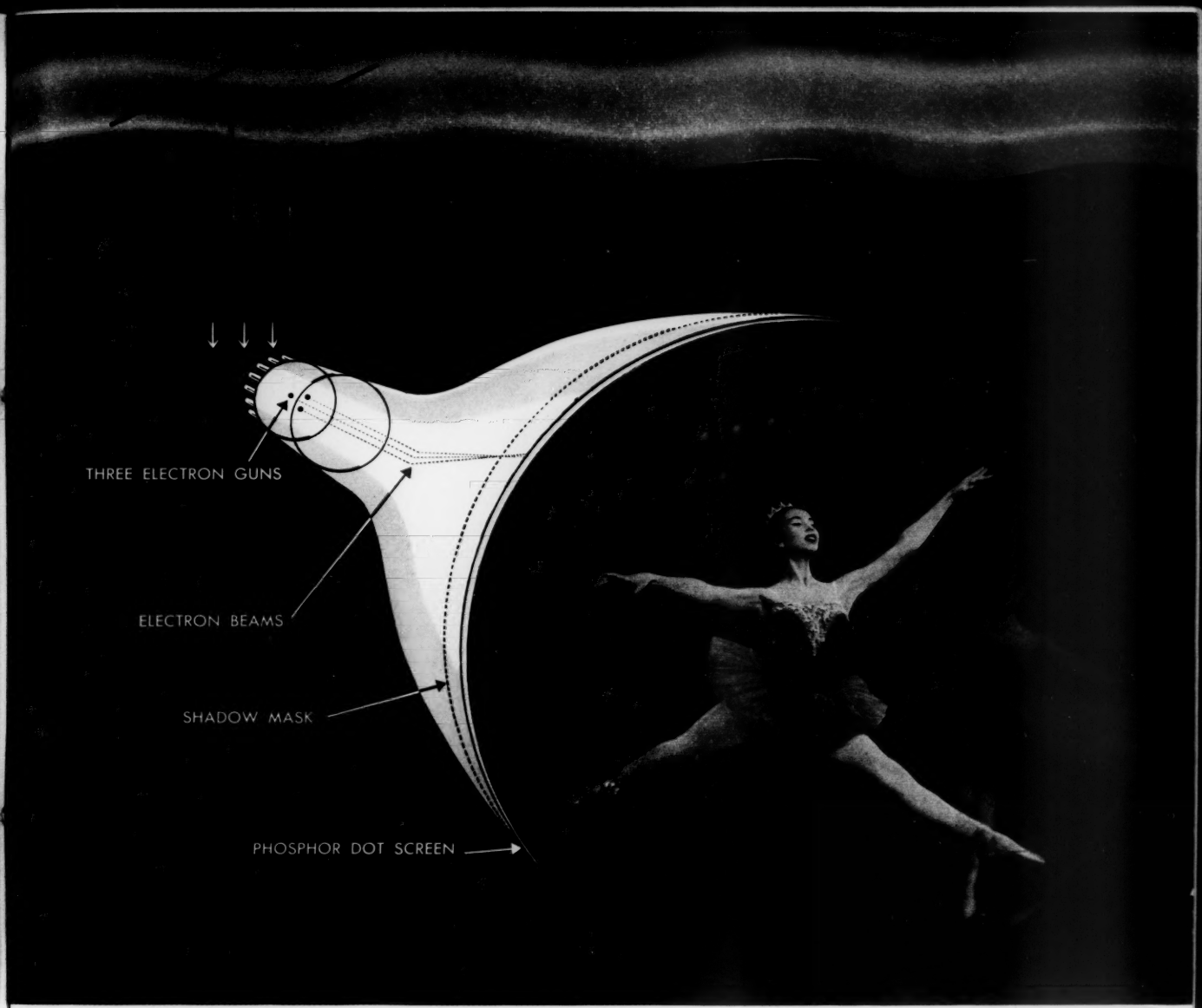
Last word on the "Atomic Olympics" will be the unofficial verdict of the world's scientists. U.S. expects to learn a lot about Soviet atomic science.

>> To keep you up to date on little wars, still unsettled.....

The Mau Mau in Kenya have until July 10 to surrender without penalty. In three years these terrorists have killed about 2,000. There were 10,000 Mau Mau; there may still be 7,000. Britain expects trouble in Kenya for many years.

Arab and Israeli still are shooting each other daily along the Gaza Strip, a coastal area packed with Arab refugees from Israel and run by Egypt. Israel is after a truce first, then peace. But Egypt won't recognize Israel as a country.

Coexistence, even where Communism is not involved, takes time.



Photograph courtesy of RCA

PROGRESS THROUGH ANACONDA METALS

The Alloy that helped make color TV possible

THE PROBLEM: *To make colors behave in TV tubes.* Behind the face of a color tube is a shadow mask. This is a paper-thin metal sheet with hundreds of thousands of holes. Each is 1/100th of an inch in diameter.

Each hole guides the tube's three electron beams so that each beam focuses on the right phosphor dot (red, green or blue) on the color screen.

The pioneers of color TV could find no metal that was suitable for etching all the tiny holes on the shadow mask. So they came to Anaconda.

THE SOLUTION: Anaconda Metallurgists developed a brand new alloy — 6% Cupro Nickel. The American Brass Company — an Anaconda subsidiary — now makes sheets of this new metal that are perfect for 21" color-tube masks. The fantastic problem of etching 400,000 perfect holes in a 21" TV mask was solved. A brand new form of entertainment came into the American living room to be enjoyed by all. The riotous colors of the rainbow were at last harnessed to enchant millions of fascinated TV viewers.

THE FUTURE: Controlling the aim of electrons is just one way Anaconda helps industry. Research at Anaconda is solving many other metal problems —some of which may affect your industry. Why not talk to the *Man from Anaconda* today? He brings to your problem metallurgical and technological experience that can save you time and money. *Anaconda, 25 Broadway, New York 4, N. Y.*

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"Wonder Drugs"

NEW CURE FOR MENTAL ILLS?

Two drugs are promising to revolutionize the treatment of mental disease.

Just what those drugs can do is told here by leading authorities, testifying before Congress. Indicated effects are these:

- **Violent patients, with little chance of recovery heretofore, often respond quickly.**
- **Disturbed adolescents show a large percentage discharged after a few months.**
- **Hospitalization for the mentally ill can be shortened, often avoided altogether.**
- **Treatment by drugs, in many cases, can be carried on at home, by the family doctor.**
- **Cost of treatment may be cut far back.**

Following are extracts from the transcript of hearings on Labor Department and Health, Education, and Welfare Department appropriations held by the Senate Appropriations Subcommittee on May 17, 1955:

Dr. Kline [Dr. Nathan Kline, director of research, Rockland State Hospital, Orangeburg, N. Y.]: Mr. Chairman, this is an extremely exciting time to be in psychiatric research. There are some of us who have been working in the field for a number of years, but relatively few. I have been doing psychiatric research for some 10 years, and until very recently it was extremely difficult to find support or help to work in the field. There are some of us consumed by curiosity to know why the mind works and how it works, along with attempting to alleviate the tremendous illness.

° ° °

It has been only in the past year and a half or two years that this renewed impetus has come along, and in part, I think, tribute should be paid to the pharmaceutical industry, to their ingenuity, luck, and also the ability to devote their resources to this field. It looked fairly hopeless until quite recently.

Then, interestingly enough, these two drugs reserpine and chlorpromazine, burst upon the scene at the same time. Our interest is to try to evaluate them, to tell not only that they do work, but how they work, on whom, and why they work.

° ° °

The original work on reserpine was reported in India. It was there used as a cure-all for high blood pressure, snakebite, toxemia, pregnancy, insomnia, practically anything you can mention.

These practitioners were looked down upon by the so-called Western scientists. Then a few years ago some of them decided to find whether the high blood pressure-reducing effects were actually as effective as reported. Lo and behold, they found they were effective. And Dr. Wilkins in Boston and others about two or three years ago demonstrated that the drug was very effective in the treatment of high blood pressure. On the basis of this, science then also claimed it would have an effect on insanity, and since we were so desperate for methods of treatment, we decided to try to evaluate it.

At that time, we used what appeared to be a very large dose, compared to the blood-pressure dose. The results of our first study showed that the drug was effective as a sedative, that is, that less restraints were needed, there were fewer assaults, and the patients were less disturbed. But no one appeared to be cured of the disease.

However, on the basis of this, we felt it was worth further investigation. About that time an intramuscular form of the drug came along, and it was with that that we have been getting the really dramatic results.

° ° °

We then gave this drug to 200 acutely disturbed psychotic females, and when females are acutely psychotically disturbed, they really are.

Of this group we found that 22 per cent of these patients whose prognosis was otherwise practically nil were discharged from the hospital within a period of five to six months. This was very dramatic, because normally this type of patient would not have been discharged.

I mentioned over here that from this same building, the prior year, only 4.7 per cent of the patients were discharged, and here within a six months' period 22 per cent of the group who were given the drug were discharged.

° ° °

There are side effects, but none of them are serious. With reserpine, and the risk that is involved, it is relatively small considering the benefits to be derived.

We then carried our researches further, proceeding a step at a time, and we used it on the admission service to take care of patients who were awaiting electric-shock therapy, since it takes five or six weeks to work them up and get permission. Of 90 patients whom we placed on reserpine simply to keep them calm until ready for electric shock, we found two thirds of them no longer needed electric shock when the permission had been obtained.

As a result of that, we tried to see if we could replace electric shock entirely and get even better results. Since December of last year on no patient on the female admission service have we found it necessary to employ electric shock. We are just beginning to summarize our results. Although it is too early to know definitely, the results look better than we have gotten with electric shock.

Another group of patients whom we tested are the disturbed adolescents, which constitutes a real problem. Here again we found that even with the schizophrenic children, they improved while on medication and that the nonschizophrenics out of the group of 14, eight of them were well enough to leave the hospital after three or four months of treatment. And

. . . "Drugs open the way for better therapy"

there is the possibility of application of these drugs even prior to admission. It may cut in on our hospital admission rate.

We are similarly testing other drugs as they come along, chlorpromazine, frenquel, and so forth. We are attempting to determine what type of patient will respond best to what type of drug. But there certainly is a need for more support for investigations of this type, and I think that the future looks entirely different than it did two years ago; that psychiatry is finally coming of age.

As a final comment, I think the purported arguments between those that believe in psychotherapy or psychoanalytic orientation on drug research, it is not a conflict between them. Freud himself says that behind every psychoanalyst stands the man with a syringe, and up until the present time we have had no drugs to put into the syringe. We finally are reaching such a point.

So that the drugs open a way for better therapy. They are not going to replace it, but they are going to make possible better treatment than has ever been possible in the past.

"Normal" After Treatment?

Senator Hill [Lister Hill (Dem.), of Alabama, chairman of the Subcommittee]: Doctor, of the 22 per cent who were discharged within five months, I do not suppose enough time has elapsed to give any final answer, but do you think they are pretty well on the road to what we might call a normal condition?

Dr. Kline: Our estimate to date is that about two thirds of these patients have been able to maintain their improvement without any further medication. About a third of them have slipped, but if they did slip, in every case when they were re-treated, they were brought back to their normal level. And we now keep them on maintenance doses of the drug, and they have been able to hold their improvement.

You were right, sir, that it is too short to know what the long-term picture is. It will be another four or five years before we can write anything like a definitive story. But to see patients who were formerly untreatable within a matter of weeks or months become sane, rational human beings, means that the wall has been breached. So that it is now simply a matter of improving on them.

* * *

Mr. Gorman [Mike Gorman, executive director, National Mental Health Committee]: Next we have Dr. Henry Brill, commissioner for research for the New York State Department of Mental Health. They have done as much work on the drugs in the New York State system, I believe, as any in the country.

I thought that he might present to the Committee both the need for the evaluation of these new drugs and just how this procedure will be followed, Dr. Brill.

Dr. Brill: First I would like to say Amen to what has been said here already. We obviously are on the threshold of a new type of procedure in psychiatry. I will review briefly where we stand in New York as a background for what might be considered as a series of needs and possibilities.

About a year ago we became interested in the use of these drugs, and after a month or two, it was quite obvious that the drugs really have the psychiatric effects which you have heard described here, that they were therapeutically active. The next step was to get them into use in a large group of patients so that we could tell something about the broad expanse of effect.

Starting in January, we had 4,200 patients on treatment. In February it rose to 5,500; the next months, 6,900; the last month it was 8,300. That is 8,300 patients on drug therapy of a total 93,000 patients in the Department of Mental Hygiene in New York State.

One fact has stood out as fairly well proved, and that is that these drugs will allow us to carry out a more humane kind of treatment. Restraint and seclusion, which is something that we try to minimize at all times, has been recorded for years, and it has stood at a fairly stable index figure. It was an irreducible minimum.

Within the last six months, restraint and seclusion figures for the department as a whole have dropped about 20 per cent. Where the drugs have been applied most intensively, these figures have dropped even more. In some places they have been cut in half.

It is extremely important for public relations, extremely important for morale among the employes. It is valuable for the hospital as a whole. But in spite of the fact that we have applied these drugs broadly now for about five months and we have applied them in a number of different settings, there are lots of questions that remain to be answered.

We have applied them, for example, in the treatment of delinquents and antisocial behavior; people who are in correctional institutions. That is one field where it should be tried.

We have applied the drugs in the treatment of epileptics who are disturbed and in hospitals because of their behavior. We have also used them in the case of mental retardation with disturbed behavior—this all in addition to the mentally ill that we have just described.

Now, the evaluation of the drugs in all these settings has given us a qualitative answer, not a quantitative answer. We know that both drugs are useful. We know that we can get certain results. But we do not know how good they are; that is, we do not know how much better the results of treatment are than the results of spontaneous evolution of illness. We do not know how these drugs compare with each other really or with other standard methods of treatment.

* * *

Mr. Gorman: Senator, my final witness is a kind of a "sleeper."

I ran across, in the *Southern Medical Journal*, an article by Dr. Frank Ayd, Jr., from Baltimore. He has come through with three or four more very brilliant papers since then. Last week he delivered a talk before the American Psychiatric Association on the use of the drugs in private practice, which I think opens up a whole new frontier of treatment away from the mental hospital.

I remember at the convention the thought was that mental patients would be treated by the family doctor outside of the hospital in those cases if we developed the drugs.

* * *

Report on Private Practice

Dr. Ayd: I would like to present the picture that we see in the private practice of psychiatry. About 18 months ago I became interested in research of these drugs for treatment of nonhospitalized patients. The objective of the research was to determine certain factors; one, was it possible by the use of these drugs to reduce admissions to our already overcrowded State hospitals to private psychiatric hospitals; secondly, we wanted to know whether or not these drugs would make it possible to treat a larger number of psychiatric patients in our hospitals, or in general nursing homes; third, we wanted to know whether or not these drugs would make it possible

(Continued on page 80)

Gordon Mackenzie, Manager of Monroe's Downtown N. Y. Branch. With Monroe since '38. Wartime Naval Commander. Mac and wife are active in Summit, N. J. civic and golf circles. He's Dartmouth club member. Shown with sons: Gordon Jr., Princeton '57; David, Yale '58

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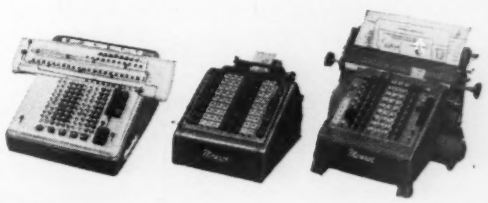

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. . . "These drugs can reduce the cost of psychiatric care"

to shorten the period of hospitalization when that was necessary. Finally, we wanted to know whether or not these drugs would reduce the cost of psychiatric illness for the private patients, which, as all of you well know, is a very important factor.

After working with these drugs intensively last November, I made the first report on the use of these drugs in the treatment of private patients at the Southern Medical Meeting at St. Louis. I reported that these drugs make it possible to treat many disturbed patients or ambulatory patients—that is, outside the hospital—who would otherwise require hospitalization. At the same time, I reported that this initial study indicates that these drugs are a very useful contribution to the therapeutic work carried on by different kinds of institutions. However, a long-term study of the effectiveness of this drug is definitely indicated.

At the American Phychiatric Association meeting in Atlantic City last week, I reported on the treatment of 300 more private patients, in which I pointed out some facts; one, that these drugs make it possible to treat outside of a hospital many patients who would have had to be hospitalized; in the instances where hospitalization is necessary, patients could be adequately treated in a general hospital or a regular nursing home. After a week or two of hospitalization, these patients could be discharged and their treatment continued in the office.

Only in the most seriously disturbed patients was it necessary to admit these patients to a psychiatric hospital for a few weeks.

What Is Done for Aged Patients

One thing we have learned very quickly, which is of fundamental importance and which has not been brought out here, is that the admissions to our State hospitals of the aged patients has gone up phenomenally in the last few years. We found the geriatric patients could make satisfactory home adjustments while taking these drugs, something which was important not only from the standpoint of the patients and the patient's family, who preferred it this way, but which is of a tremendous interest and significance because it reduces the admissions to our State hospital.

Without these drugs, senile patients would have been placed in nursing homes or private psychiatric hospitals. When treated with these drugs, they were able either to remain in private nursing homes, or else return back to their family instead of entering a psychiatric hospital.

In essence, what we found can be very easily summarized as follows: These drugs are a valuable addition to the therapy of practicing psychiatry. Practically utilized, they can increase the number of patients who may be treated in the office.

Secondly, they can shorten the period of hospitalization, or make hospitalization unnecessary, thereby reducing admissions to our overcrowded State hospitals.

Thirdly, they can replace or reduce need for some of the physical methods of treatment, such as electric-shock therapy, which we cannot always employ because of physical reasons, and so forth.

Finally, and most important, these drugs can reduce the cost of psychiatric care.

At 1:30 this morning I had a brilliant demonstration of what these drugs can do, because I was called out to see a 30-year-old woman who was destroying the furniture in her home, was acutely disturbed, with acute schizophrenic psychosis. Under ordinary circumstances, that would have meant calling in the police to restrain her and take her off to a psychiatric institution. By simply administering one of these drugs to the patient at home she became quiet enough where she could be admitted to a general hospital for possibly two weeks, at the end of which time she could go home.

I could cite another example. We had a beautiful demonstration of what these drugs can do in the case of a pair of twins. The older sister, before these drugs became available, had a schizophrenic psychosis and she required a period of hospitalization for almost six months and a total of 18 months of psychiatric treatment. The total cost was slightly more than $3,200.

A few months ago the twin sister developed the same, identical illness and was brought to my office by five men who had to hold her in restraint because of her disturbed behavior. She was admitted to a general nursing home for a period of one week only, received no shock therapy; at the end of three months was completely discharged. The total cost to the family, including the foster hospitalization, was $325.

So there you see what we can do outside of a hospital.

These drugs are definitely valuable to us. There are many questions that we do not know and which we need to know if we are going to use them properly and increase their effectiveness so that we can enable normal people to remain not only out of hospitals, but also, deeply important, the majority of these patients were able to work while they received treatment, so that there was no loss of income on the part of the patient or of the family.

And these things reduce the number of people who have to seek public assistance and so forth. So that there are many things about these drugs which we should know and we can't possibly know it unless we do further research. And that, of course, is impossible unless someone supports it. That is why we are doing it.

Thank you.

"Available for All Doctors"

Senator Hill: Doctor, how long have you had these drugs?

Dr. Ayd: I started to use the drugs before they became available to the general medical profession, since I, like Dr. Kline, was doing basic research. They have been available on the market for approximately one year, so that they are available to all doctors in the United States.

If it were possible for us to teach, for example, a general practitioner, particularly those out in the counties, and so forth, where psychiatric help is not immediately available, if we could get literature out to these men in circumstances like happened to me at 1:30 this morning, we would make a tremendous advance. Instead of people calling in the State police to take patients off to the State hospital, they could treat that patient themselves, before they get psychiatric help for them, without following the usual routine of rushing them off to a psychiatric hospital.

Senator Hill: You say many of these people are able, with the administration of these drugs, to carry on with their work, their occupation?

Dr. Ayd: Yes, sir. I have treated now over 500 patients in my private practice with these drugs, and fully 80 per cent of these people are working people, or they are housewives in their homes taking care of their children.

This twin that I just described had a family and at the end of one week she was discharged from the hospital and returned home and began immediately to take up her household duties. As long as she took the drugs she was perfectly all right.

What's that corroded flue doing in the Treasurer's office?

Corrosion is very much a problem for *every* top-management executive. Take the Treasurer, for instance. Corrosion is the most needless waste of money on his profit and loss statement.

Needless—because it is being wiped out today in every industry in which Firestone Exon resins are doing a job.

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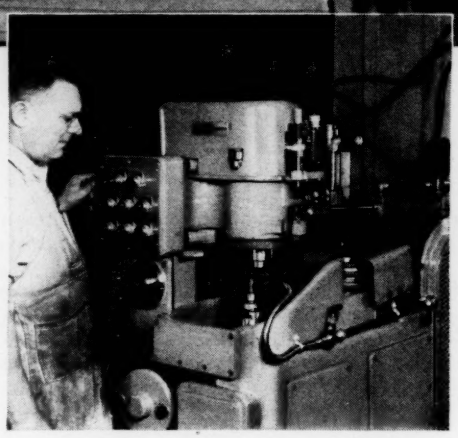
here's a better way

Every stitch was hand-sewn in America's first ready-to-wear factory, 1831, George Opdyke, proprietor. Then came remarkable machines that took the place of fingers. Inventions of Hunt, Howe, and Singer helped meet the demand for lower-cost clothing, drapes, upholstery, hosiery, hats, shoes. Today, industrial sewing machines make thousands of stitches a minute.

Sundstrand contributes to the better way

Amazing speeds require precision parts. At the right: Sundstrand Contour Milling Machine, adaptable to countless cam milling operations on sewing and business machines, governors, etc.



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IN YOUR PERSONAL PLANNING

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You get a look at recent advances in medicine, plus hints of others to come, in reports made at the annual convention of the American Medical Association.

TOMORROW'S MEDICINE. The next 50 years will see tremendous victories over now-unconquered illnesses. That's the prediction of the chairman of the AMA's section on general practice, Dr. L. H. McDaniel, of Tyronza, Ark. By the turn of the century, he says, the common cold will be only a memory. Infectious diseases--even tuberculosis, pneumonia and syphilis--will all be wiped out. New hearts, kidneys and lungs will be provided through surgical transplants. Lives will be lengthened, he says, with a minimum of senility. Women, with the aid of hormones, will stay "young, beautiful and shapely indefinitely."

DOCTORS' REPORTS. Physicians attending the huge AMA meeting in Atlantic City heard hundreds of reports on medical developments. Among them:

Large-scale consumption of alcohol "whittles away" brain cells that control will power. This loss of control is a main factor in the cause of alcoholism.

Every individual has a limit to his nervous system's "tension budget," and straining it beyond that point is usually the source of long-lasting headaches.

Foot baths at swimming pools and shower rooms are "useless" in preventing athlete's foot. The fungus causing this ailment can almost always be found on the feet; low body resistance, rather than exposure, seems to touch off attacks.

The fatty substance in the bloodstream that seems involved in hardening of the arteries can be regulated with a new drug, Methischol, tests indicate.

Pregnancy after several Caesarean births isn't necessarily dangerous.

Defeatism about cancer hinders progress in its detection and control.

AUTO INSURANCE. The liability policy you buy to protect yourself against claims of others may sometimes also cover injuries you receive. Thus decided the Appellate Division of the New York Supreme Court. The case arose when the owner of a car, riding in it while another person drove, was hurt in an accident. Terms of the policy extended coverage to anyone driving the car with the owner's permission. This, the Court said, obligated the insurance company to pay claims for personal injury resulting from that person's driving--no matter who made the claim against him.

CIGARETTE TAXES. The Internal Revenue Service hands down some rulings that determine whether you can claim an income tax deduction for the State tax paid

(over)

on cigarettes. In Mississippi, IRS decides, the tax is deductible. In Nebraska and Louisiana, it isn't. The test, IRS says, is whether the tax is specifically levied against the consumer--not merely the fact that he pays it. Other States where the tax currently is deductible: Alabama, Florida, Maine, Massachusetts, New Jersey, Tennessee, Oklahoma and Wisconsin.

AIR TRAVEL. Go slowly in ignoring the reconfirmation rule on airline reservations just because you've heard the rule has been lifted. It's true that the Air Transport Association has said its member airlines no longer are bound to follow the rule. But the choice is being left to the individual airlines. Some are dropping it; others are continuing its use. That rule sets a time before which you have to notify the airline that you intend to use a reservation you made. Otherwise the reservation can be canceled.

INCOME TAX. A tax break under the law for people who can qualify is pointed up by a new Internal Revenue Service ruling. Situation involved a widow who had living with her a son, his wife, and their baby daughter. The widow owned the home and paid all the household expenses--food, utilities, taxes, upkeep and the like. By thus providing a home for her granddaughter, the IRS ruled, the widow qualified as the head of a household. As such, she gets the benefit of the law's partial income-splitting provision--even though the son and his wife file a return on their income and can claim the baby as their dependent.

REMINDER. The Post Office's certified mail service that we told you was coming is in effect now. It works like registered mail, but costs less. It's for mail for which you want proof of delivery, but whose content value doesn't require the safeguards that go with registered mail.

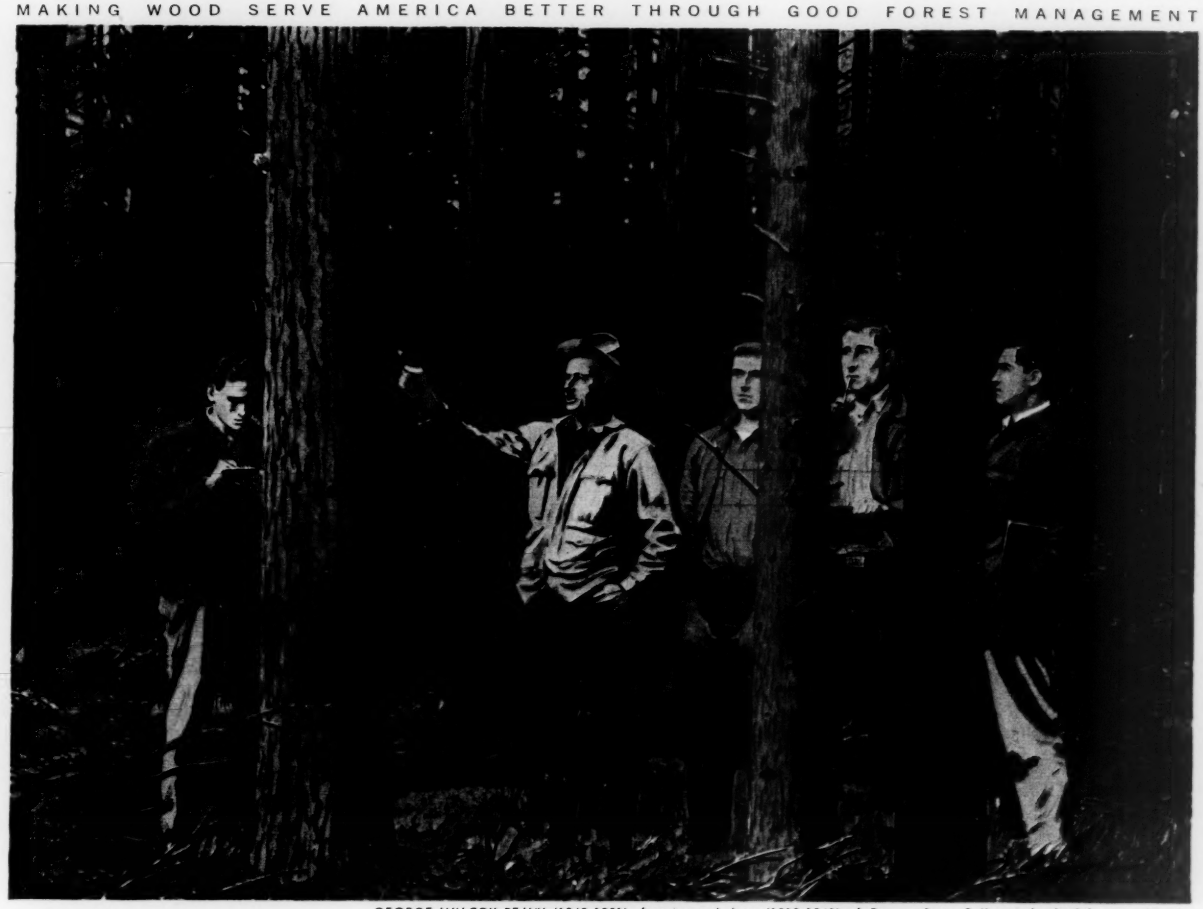
FLOORS. There's no practical difference among flooring materials in the amount of "give" underfoot as far as human fatigue is concerned. So declares a new circular on the selection and care of home floors, published by the University of Illinois Small-Homes Council, Urbana-Champaign, Ill. Among its other pointers: Washing wood floors with soap and water, or using water-base wax, may darken the wood and cause warping. Harsh soaps and detergents make asphalt tile, rubber tile and linoleum brittle and hard to clean.

Single copies of the circular, titled "Flooring Materials," are available from the Council free to July 1. After that, 10 cents.

MUSIC. Moving your furniture around to change the looks of the room? You may want to consider advice about where to place your phonograph or television set to get the best tone values. Sound engineers of a set manufacturer suggest a corner is best, or against a papered or painted wall. Drapes sop up sound's "bounce"--undesirable behind the set but advantageous on a facing wall.

MILK. A guide to how much milk you need for adequate nutrition comes in a new Department of Agriculture leaflet. Without a good deal of milk daily, the Department says, it is difficult to get enough calcium or riboflavin, a vitamin. Both are needed for growth and the body's repair processes. The daily requirements: Children, 1½ pints to 1 quart. Teen-agers, 1 quart or more. Adults of all ages, at least 1 pint.

MAKING WOOD SERVE AMERICA BETTER THROUGH GOOD FOREST MANAGEMENT



GEORGE WILCOX PEAVY (1869-1951), founder and dean (1910-1940) of Oregon State College school of forestry. Nearly a half century ago, Dr. Peavy foresaw the growing need for more trained foresters. The 1,381 graduates of the school he founded have contributed to a permanent wood supply by applying modern forestry practices on commercial timberlands.

schools of forestry develop men and trees for tomorrow...

Naturally beautiful, wood is the favorite home-building material. To assure an endless supply, industrial tree farmers are scientifically managing timber as a crop.

"Grower of trees and men ... educator and executive." With these words, associates of Dr. George Peavy summed up his lifetime of leadership in forestry education. Through the vision of educators like Dr. Peavy, the nation's system of forestry schools was firmly established early in this century. Today, their graduates are helping to perpetuate America's wood supply on both public and private lands.

Private industry employs about half of all graduate foresters in the nation. Many supervise commercial tree farms ... growing and harvesting timber as a continuous crop, and protecting trees from fire, insects and disease. Others are engaged in constant research to improve both productivity of industrial forestland and quality of wood grown. These practices are applied by professional foresters in managing Weyerhaeuser Timber Company forestlands as certified tree farms.

America's 6,200 privately owned tree farms are in capable hands. Such tree farms can always supply wood for lumber, pulp, paper and the more than 4,000 other wood products everyone needs and uses. *Write us at Box A, Tacoma, Washington for more information about modern industrial forestry.*

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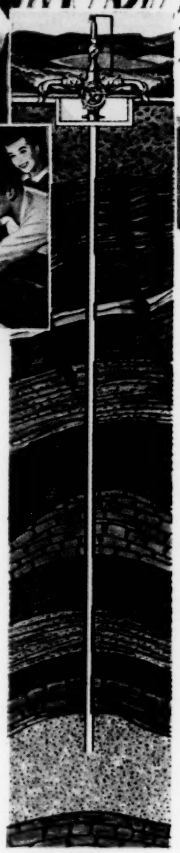
Pipeline companies pump vast quantities from their main lines into unused gas or oil fields, close to metropolitan markets. Literally seal it underground in porous sands capped by thousands of tons of rock and shale. Here natural gas is instantly available when winter storms shoot fuel demands skyward.

Tennessee Gas, the nation's longest pipeline, is developing five of these huge storage fields in New York and Pennsylvania. Another assurance that homes and industry in the East will be amply supplied with fuel for many years to come.



CROSS SECTION OF A TYPICAL UNDERGROUND STORAGE FIELD.

TENNESSEE GAS

TRANSMISSION COMPANY

HOUSTON, TEXAS

AMERICA'S LEADING TRANSPORTER OF NATURAL GAS

LIFE AROUND THE WORLD®

memo

FROM SOUTH PACIFIC

WHOSE OCEAN IS IT?

GUAYAQUIL, Ecuador—It is becoming mighty expensive—even dangerous—to catch fish for the U. S. market in some of the best tuna waters of the South Pacific. The skippers of two U. S. fishing boats can testify to this fact, for they recently were overhauled by the Ecuadoran Navy and fined more than $49,000.

The *Arctic Maid*, out of Seattle, Wash., and the *Santa Ana*, from Monterey, Calif., were fishing well outside the traditional 3-mile limit. But that isn't far enough any more. Ecuador, Peru and Chile now claim authority over fishing in any waters within 200 miles of their shores—a claim that extends their sovereignty far into the South Pacific.

Fishing Off Chile

Although the two American ships were more than 20 miles from land, an Ecuadoran Navy craft overhauled them and ordered them to halt. When the *Arctic Maid* refused, the Navy ship fired, wounding one man. The two American skippers then brought their ships into Guayaquil, Ecuador's main seaport.

In spite of all that the U. S. Embassy could do, backstopped by officials who rushed down from Washington, the Ecuadoran Government fined the skippers for fishing within the 200-mile limit without a license.

Whalers bombed. These fines, although big, look trifling when compared with the one that Peru imposed a little earlier on Aristotle Socrates Onassis, the Greek-Argentine shipping magnate. Peruvian patrol bombers caught Onassis's big whaling fleet hunting inside the 200-mile limit and ordered it to proceed to Paita, a port in Northwestern Peru. When the fleet tried to run away, the planes dropped small bombs.

Although parts of the fleet escaped, the big factory ship and several of the hunting boats obeyed orders. Peruvian newspapers were full of stories about the arrest of "pirates," and the Government charged that the fleet had caught 2,500 to 3,000 whales in Peruvian waters. The port captain of Paita finally imposed a fine of 3 million dollars. Onassis's attorney protested, but paid the fine.

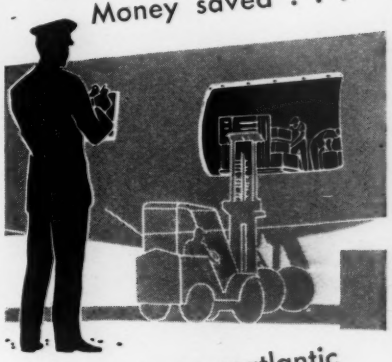
The magnet that draws fishing and whaling ships to these waters is the rich marine life in the Humboldt Current. Sweeping up from the Antarctic, this current skirts the coast of South America. It's a watery gold mine for tuna fishermen from the U. S. and Japan and for whalers from all over the world. Chile, Peru and Ecuador have decided to cut themselves in on that gold, and have made a treaty claiming the right to control fishing 200 miles offshore.

Stiff license fees. Skippers of foreign tuna boats who want to fish within 200 miles of Ecuador find that they are supposed to buy a license that is good for only one trip and that costs $16 for each registered ton of capacity. For a 200-ton boat, that figures out to $3,200. Peru, while not requiring an expensive license, levies a tax of about $14 a ton on fish caught, for export, within 200 miles of her coast. Skippers try to get by without paying these expenses, and there's an international dispute over the legality of the 200-mile limit.

The U. S. defends the traditional 3-mile limit. So does Britain. The three South American countries, however, cite some U. S. precedents in maintaining their right to control fishing beyond the

(Continued on page 88)

Time saved . . .
Money saved . . .



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Widespread confidence in a product-name is a priceless asset to a business. A respected brand acts like a magnet, attracting sales and profits.

Without doubt your own brand enjoys its full share of public confidence. The purpose of this message is simply to explain how this confidence can be expanded to include more of your prospects than at present.

Put Your Story IN PRINT

The first step is to put your full sales story IN PRINT, into attractive booklets, brochures, broadsides, bulletins, folders, reports, manuals, house organs, catalogs — whichever fit your needs.

Good selling literature can accomplish three things: First, it can sell your product and reputation directly to prospects and customers. Second, it can provide the facts, both major and minor, from which people talk up your product to their friends. (*People love to talk in detail to others about products they prefer.*)

Third, well-printed and well-circulated literature can help prevent misstatements about your product. Much free-and-easy talk is not based on fact. Selling literature *based on fact* can help correct this situation.

Your Ally—A Good Printer

In your planning for effective literature, remember this sound rule: Call in a good printer *the first thing*. Make him a member of your creative team right from the very start. Then he can apply his specialized craftsmanship and save you most in money, work and time. You'll profit from this friendly, close-working relationship.

You'll profit, too, when you find that your printer has specified Warren's Standard Printing Papers, as he probably will. For more than a century the Warren brand of papers has enjoyed the confidence of good printers. They like the fine printing results Warren papers deliver. So will you. *S. D. Warren Company, 89 Broad Street, Boston 1, Mass.*

BETTER PAPER — BETTER PRINTING

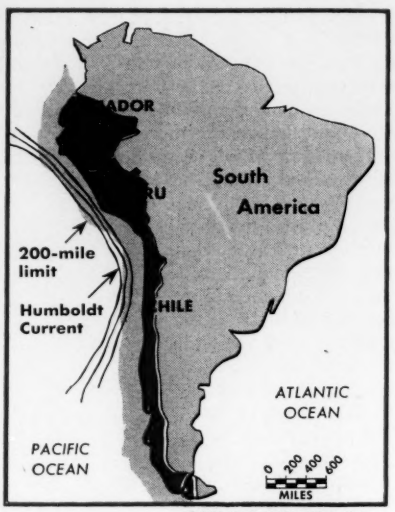
Warren's STANDARD *Printing Papers*

memo

. . . A 200-mile limit: Is it really legal?

3-mile limit. They point out that, in prohibition days, U. S. insisted it was legal to arrest liquor runners 12 miles offshore. Even now, the U. S. claims the right to board and search, 62 miles from land, ships that are suspected of smuggling.

Then there are two proclamations that President Truman issued in 1945. One of them holds that "the natural resources of the subsoil and sea bed of the continental shelf beneath the high seas but contiguous to the coasts of the United States" are subject to U. S. control. Under this proclamation, oil companies are developing oil deposits more than 3 miles offshore.



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IN THE BEST TUNA WATERS . . .
. . . it's expensive to fish

The other proclamation asserts that "the Government of the United States regards it as proper to establish conservation zones in those areas of the high seas contiguous to the coasts of the United States wherein fishing activities have been or in the future may be developed and maintained on a substantial scale."

All this leaves up in the air the question of whether the 200-mile limit is legal. Chile, Peru and Ecuador have offered to talk it over, as a group, with the U. S.

Dilemma. Meanwhile, commercial fishing in these waters comes high. If a skipper wants to fish legally, he must buy an expensive license or pay an export tax. And if he tries to get by without these expenses, he runs the risk of being shot at and fined.

Boeing jet prototype on which new Air Force jet tanker-transport is based.

New milestone in America's aerial defense system

A new milestone in the development of our aerial forces came into sight when the Air Force ordered from Boeing the nation's first jet-powered tanker-transports. These new Boeings—called KC-135s—will bring the vital tanker-transport category of aircraft into line with the jet-age performance standards already achieved by today's fighters and bombers.

The KC-135 is an advanced version of the Boeing prototype pictured above. This new craft, designed and built by Boeing to put America into the jet tanker-transport field, has performed beyond expectations. Back of its outstanding performance is Boeing's vast background of experience pioneering the B-47 and B-52 jet bombers—revolutionary planes that opened up the current era of large, multi-jet aircraft. The KC-135 benefits from Boeing's unique experience developing aerial refueling equipment and aircraft, including the building of more than 600 KC-97s.

Boeing's Seattle Division is now tooling up for KC-135 production. Already substantial subcontracts have been placed with companies from coast to coast for participation in the manufacture of this historic first fleet of jet tanker-transports. This is part of Boeing's policy of passing along to subcontractors and vendors up to 65 cents of every Air Force dollar contracted.

The company has this goal: to produce for the nation the most advanced and dependable jet tanker, at the lowest cost possible—and on schedule. This is a Boeing tradition created with such aircraft as the trail-blazing Flying Fortresses and Superforts of World War II, today's KC-97 propeller-driven tankers, and the revolutionary B-47 and B-52 jet bombers. The jet prototype has shown in intensive flight tests that the KC-135 will, like earlier Boeings, establish new, high standards of performance.

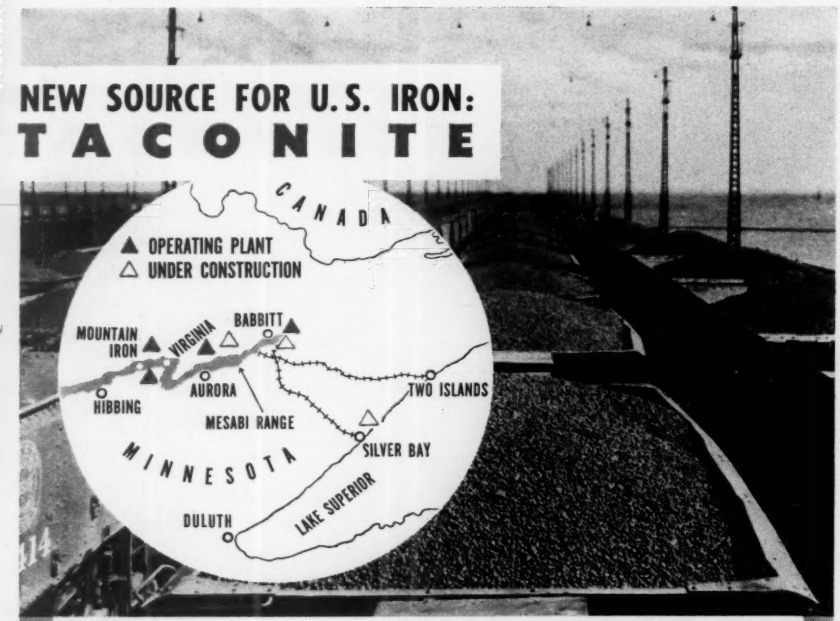
Young men: You'll acquire "know how" as an airman in the United States Air Force. Opportunities for top technical schooling, world travel and a responsible position on the nation's defense team.

BOEING

Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

ONE MORE "SCARCITY" ENDS FOR U.S. INDUSTRY



WHAT IT IS:	**a hard rock which yields iron**
WHERE IT IS FOUND:	**chief known deposits are in Minnesota and Michigan**
HOW IT IS USED:	**in the form of iron-rich pellets, put into furnaces for making iron and steel**

HOW TACONITE IS GROWING AS AN INDUSTRY—

Plants now can produce	**1,000,000** tons a year
Plants being built will be able to produce	**11,250,000** tons a year
Plants planned for the future could produce . . .	**9,250,000** tons a year
TOTAL now in prospect	**21,500,000** tons a year

HOW TACONITE IS TO COMPARE WITH MAJOR SOURCES OF IRON ORE IN 1972—

Imports of iron ore from Labrador and Venezuela	**50,000,000 tons**
Output of iron ore from Lake Superior mines	**35,000,000 tons**
TACONITE	**40,000,000 tons**

Source: Federal Reserve Bank of Minneapolis

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U. S. blast furnaces will not grow cold for lack of iron for many years to come. That's the promise seen in Minnesota's new industry that extracts iron from hard taconite rock.

Costs are a problem, but mining engineers are bringing them down all along the line.

And there's plenty of taconite to work on—at least 5 billion tons in the Mesabi Range alone.

DULUTH, Minn.

Worry over predicted shortages of iron ore to feed America's steel-based economy can be forgotten. A new industry that assures the nation of iron for its blast furnaces is growing along the famed Mesabi iron range.

The raw material for this new industry is taconite, a superhard rock laced with iron. Mining experts say there are billions of tons of it along the Mesabi.

The end product of the industry is iron-rich taconite concentrate, which is shipped in Great Lakes ore boats to U. S. steel mills.

It has taken 40 years of trial and error for mining engineers to lick the problem of separating the fine particles of iron from the hard taconite rock. There is still the problem of cost, but five steel companies are betting half a billion dollars that this, too, can be solved.

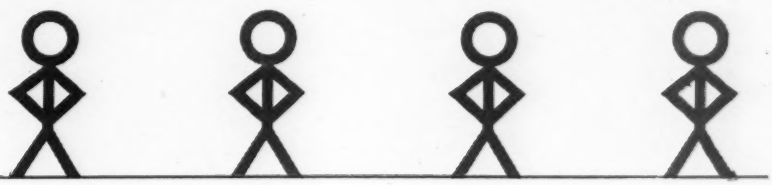
These five companies are carrying on their taconite-processing operations through three mining-company subsidiaries that now have pilot plants in operation on the Mesabi Range. Total capacity of the pilot plants is a million tons a year.

Big plant to open soon. The first large-scale plant is scheduled to be opened in September or October by Reserve Mining Company, which is owned jointly by Armco Steel and Republic Steel corporations. This plant, costing 160 million dollars, will have facilities at Babbitt on the east end of the Mesabi Range and at Silver Bay on Lake Su-

(Continued on page 92)

new low-cost life insurance for your

key men



John Hancock offers:

... A new low-cost policy for those who can qualify as preferred risks.

... A "Select" class of policies at exceptionally low cost.

In countless ways your key men *are* your business. An able vice president or treasurer, a pioneering technician, an inspired sales manager, a chief engineer – without any one of them the swift drive of production, your sales curve, the financial security of your business, may be seriously impaired.

Now John Hancock has streamlined and simplified life insurance, and is enabling wise managements in every field to safeguard *at lower cost* their stake in valuable key personnel.

Business Security life insurance, payable to your corporation or firm, can cover losses resulting from the death of an important key man. Or when he lives to retirement, cash values can provide retirement funds.

We urge that you discover *now* how John Hancock Business Security life insurance can protect the living assets of your business.

For full particulars consult your John Hancock agent

John Hancock

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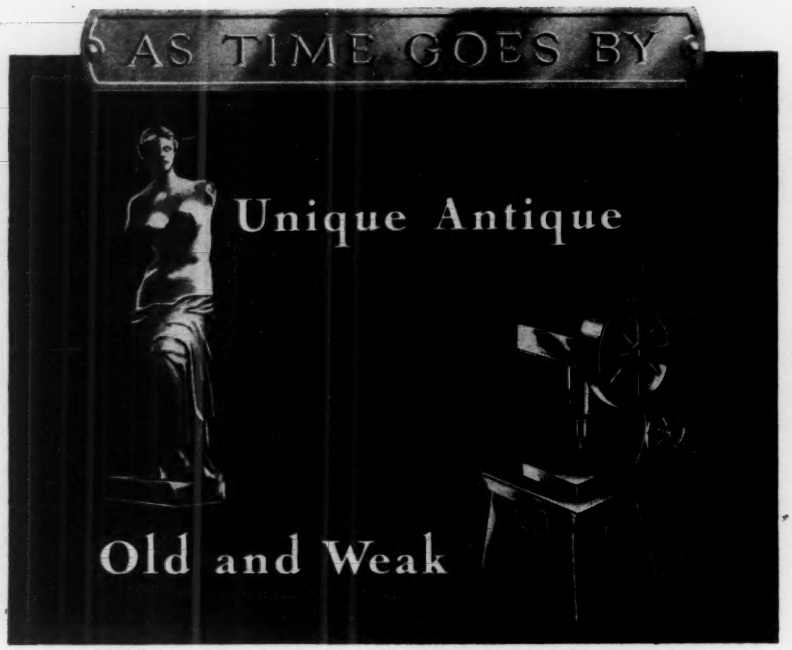


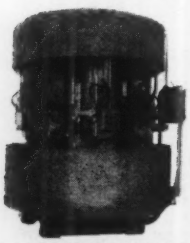
Of all the criteria by which value is determined, age is one of the most important. But value can move in *two* directions . . . . upwards and downwards.

When applied to machine tools, age takes a heavy toll and their value, in terms of production efficiency, decreases rapidly.

It's difficult to determine at just what point the cost of keeping an old machine makes it economically mandatory to buy a new one. It obviously varies with the type of machine, the extent to which it is used, as well as its age.

Recent studies show that a larger percent of the machine tools in use today are costing more than they're worth in terms of low production, efficiency and high scrap.

If you are still using hobbing machines that are 5 or more years old it will pay you to get the facts on the new Lees-Bradner line. Tremendous improvements in speed, accuracy and efficiency have been built into these machines, resulting in important production dollar savings.



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High costs discouraged early use of taconite . . .

perior. Annual capacity is to be 3.75 million tons.

Another big plant is scheduled for completion in January, 1957, by Erie Mining Company, which is largely owned by Bethlehem Steel and Youngstown Sheet and Tube corporations. The Erie plant is to have 7.5 million tons' capacity and will cost 300 million dollars. It will have facilities at Aurora, about 20 miles from the eastern end of the Mesabi, and at Two Islands on Lake Superior.

Both Reserve and Erie have designed their plants so that capacity can be readily expanded—Reserve's to 10 million tons and Erie's to 10.5 million tons.

The third mining company in the taconite business is Oliver, a subsidiary of U. S. Steel Corporation. For the present, Oliver will stick with its experimental plant of 500,000 tons' capacity.

Rock long scorned. That taconite contains iron has been known since the Mesabi Range was discovered in 1871. But mining companies wanted no part of the hard rock as long as the high-grade shipping ores, which contain 50 to 52 per cent iron, could be scooped out of the Mesabi's open pits and shipped directly to the blast furnaces.

Taconite, in the words of the early-day miners on the Mesabi, was "too lean and too hard." The best of it runs only 25 to 30 per cent iron content and cannot be fed into the blast furnace without first being "beneficiated."

This beneficiation process is easily demonstrated in the laboratory by mining engineers. They take a hammer and beat a piece of taconite into powder. Then they pull the iron from the powder with a magnet, mix it to mud-pie consistency with water, and roll it into a ball. This ball, or pellet, cured at a temperature of 2,400 degrees Fahrenheit, is ready to ship to the blast furnace.

Putting this process on a commercial basis was deemed too complicated and costly until the appetite of U. S. industry for steel sent iron-ore requirements climbing toward 100 million tons a year.

Taconite takes on glamour. This made the tough, ugly taconite look more glamorous. Mining engineers were told to get beneficiation ready for commercial operation. Just how they have done this can best be seen by taking a look at Reserve's new plant that will open next autumn.

The plant is being constructed in two sections connected by Reserve's own railroad.

The headaches start with the first operation, that of getting the taconite out

. . . Getting out the ore is an intricate process

of the ground. Ordinary drills can't be used to bore dynamite blast holes. They make only 2 feet an hour and bits have to be replaced continually. So Reserve, and the other companies, too, use a "jet piercer" that literally melts its way through the rock with a searing flame of oxygen and kerosene, 4,500 degrees Fahrenheit hot.

After the taconite has been blasted into chunks it is fed into a huge crusher. This crusher, which Allis-Chalmers Company spent two years building, reduces the taconite to pieces the size of a man's fist.

In this form the taconite will move over the railroad to Silver Bay on Lake Superior, where the complicated process of removing the iron from it is carried out. This part of the plant has been located on the lake because taconite processing requires 50 tons of water for each ton of finished product.

When operations begin next autumn, the chunks of taconite will be dumped, a full carload at a time, into the mouth of a two-stage crusher 260 feet above dock level in the man-made harbor on the lake. When the taconite comes out of this crusher it will be in pieces less than an inch in size.

These pieces move down the hill on conveyor belts to a building that houses the rod and ball mills and the magnetic separators that are the heart of the beneficiation process. The taconite material is mixed with water and reduced to powder fineness by the mills. The magnetic separators remove the iron. The product that emerges is taconite concentrate, black in color and containing 63 per cent iron.

Since this powdery material could not be shipped, or fed to blast furnaces, it is passed, in mud-pie consistency, to the "balling mills" at the bottom of the hill. There it is rolled into pellets from ½ to 1 inch in diameter. The final operation is hardening of the pellets in furnaces at 2,400 degrees Fahrenheit.

Can taconite compete? After seeing the extensive facilities necessary for processing taconite, most people wonder how it can ever hope to compete, costwise, with other sources of iron. But the men in the industry are optimistic on this score.

"We can make taconite competitive with high-cost sources of iron ore now," says W. M. Kelley, president of Reserve.

An even more optimistic appraisal is made by Fred DeVaney, chief metallurgist for the Erie company. He told *U. S.*

(Continued on page 94)

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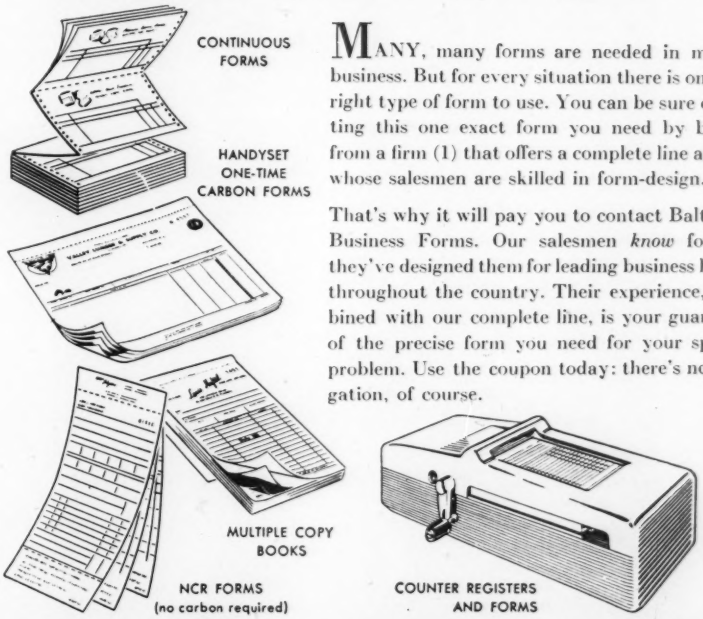

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. . . Low tax is encouraging new iron mines

News & World Report: "We hope to be able to make this material [taconite concentrate] competitive with even the open-pit ores."

Taconite does have certain advantages over other sources of iron. For one thing, the finished taconite pellet is tailor-made to blast-furnace specifications. It contains, on the average, 63 per cent iron, compared to about 51 per cent in the open-pit ores. This saves costs all along the line in shipping and handling. For each ton of material shipped, taconite contains at least one fifth more iron than the open-pit ores.

Then, too, taconite has been given tax advantages to encourage development of the industry. The Minnesota State tax runs less than 10 cents a ton on taconite. On the open-pit ores it runs from 50 to 60 cents. Another break for taconite is the five-year tax write-off on 75 per cent of the mining companies' investment in taconite operations.

The fact that taconite processing is a 12-month operation is another advantage. Open-pit mining shuts down when the Great Lakes freeze, but taconite plants keep spewing out the pellets.

Billions of tons. There are widely varying estimates of the taconite reserves in the Lake Superior region. This is mainly because there are two types of taconite: one containing magnetic iron and the other containing nonmagnetic iron. Only the magnetic type can be used in the present process, which depends on magnetic separation.

A conservative estimate of the amount of magnetic taconite in the Mesabi Range, according to the Federal Reserve Bank of Minneapolis, is 5 billion tons. This would yield 1.7 billion tons of taconite concentrate, or about as much iron as all the ore shipped in the history of the Lake Superior iron ranges.

In addition, there are billions of tons of nonmagnetic taconite and jaspilite, another iron-bearing rock, in Upper Michigan deposits. This will have to be processed by using other than magnetic methods of separation. But, already, the Humboldt Mining Company, owned by the Cleveland-Cliffs Iron and the Ford Motor companies, has an experimental plant processing jaspilite on the Marquette Range in Upper Michigan.

—Reserve Mining Co.

TACONITE IS LACED WITH IRON ORE
. . . and there are billions of tons of it

Future expansion of the taconite industry depends on how well it competes with other sources of iron. Estimates of output in the next two decades vary from as high as 60 million tons a year to as low as 20 million tons a year, according to the Federal Reserve Bank of Minneapolis. The Bank, as shown in the chart on page 90, compromises the difference at 40 million tons by 1972.

Up in the Arrowhead country north of Duluth, miners and their families are willing to let the experts wrestle with such predictions. They're satisfied that there will be no ghost towns along the Mesabi—that taconite will provide jobs for years to come. And, in the opinion of iron and steel experts, the whole nation can feel secure about future supplies of iron ore to feed its blast furnaces.

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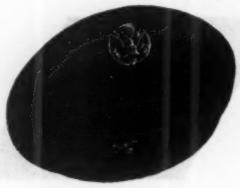

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Reuther: "We Both Won"

CIO HEAD, FORD OFFICIAL EXPLAIN GUARANTEED WAGE

Here is the story of the Ford Motor Company's big decision to pay unemployment benefits to its laid-off workers—as told by the top men on both sides of the table.

What the agreement means to workers, what it costs, how it was negotiated—all are shown in the transcript that follows.

Questions of news reporters are answered by John S. Bugas, Ford vice president, and Walter P. Reuther, president of the CIO United Auto Workers.

The joint news conference was held in Detroit on June 6, at the end of contract negotiations between company and union.

Following is full text of the transcript of a press conference held by John S. Bugas, vice president of Ford Motor Company, and Walter P. Reuther, president of the United Auto Workers, on June 6, 1955, at the conclusion of negotiations for a new contract:

Q: Who won?

Mr. Reuther: We both won. I think that we are extremely happy to announce that we have arrived at an agreement. The agreement has been recommended to the Ford Motor Company by the unanimous action of the national Ford committee. Both the company and the union have worked very hard and very sincerely at the bargaining table. We believe that this effort we have made together gives lie to the Communists in the world because it proves in a very practical way that free labor and free management can get together, can find the common denominator for working out their common problems.

This is one the most historic agreements that we have written in the 20 years of our union. It is the largest economic package that we have ever negotiated. It is in excess of 20 cents an hour. It provides for wage increases from 6 cents an hour to 16 cents and 17 cents an hour. It provides for the highest level of pensions that we have ever had.

A 30-year worker with his Social Security and his wife's benefits will get more than $230 a month and a worker with 35 years' work will get more than $240 a month. It provides for better hospital-medical care, greater insurance coverage, and, of course, it provides the principle upon which we are going to build the guaranteed annual wage.

The Ford Motor Company is entitled to a great deal of credit for having shown the courage and wisdom for making it possible to pioneer in this important field; of finding a way to provide workers and their families a greater measure of security against the hardships and hazards of unemployment.

There are many other things in this package. They are too numerous to list, but the working agreement has been improved. Seniority has been strengthened, and I am very happy to say that I believe that both the company and the union have made a great contribution to both the well-being of the company and the workers, and together we have made a greater contribution to the American public. And I congratulate Mr. Bugas and the company representatives for their contribution. And I congratulate, in particular, the members of the Ford national negotiating committee with whom I have had the privilege of working. John, a good job well done.

Well, gentlemen, this has been one of the roughest and one of the most complex bargaining sessions that I have ever engaged in, but it has been well worth it.

Mr. Bugas: As perhaps you gentlemen know, we have been in the Ford Motor Company for, as a matter of fact, years trying to search out the problem that we, Walter Reuther and his group, and me and my group have discussed as increased security for our employes, and it was only after a tremendous amount of work and research and internal analysis that we came to a conclusion that one important road to improved security of our employes was this supplemental benefit plan that we proposed last week, I think it was, Walter.

We think it is significant. We think it offers additional security to our employes and particularly in the automotive industry where historically you have layoffs. We thank God they were of rather short duration, but nevertheless they came, and we recognize that, in the Ford Motor Company, Mr. Henry Ford II, Mr. Breech [Ernest R. Breech, chairman of the board at Ford] and our board of directors, we recognize that we have some special responsibilities to our employes.

At the time we decided to make this offer, it was an important decision. It was a historic decision—a decision that was made only after a great internal debate and, in fact, a pulverization of the problem several times and putting it back together. So we made this proposal, and even after we made it, we had a tremendously complex job of ironing out details with Walter Reuther and his staff, but thank God that today after the excitement of the past several days and before a strike, we were able to come to this agreement.

The agreement is not as long as we would like to have had it, but it is three years, and we consider three years ample time to test our plan—the supplemental unemployment benefit plan—which we are going to do.

The contract, as you gentlemen know, as Walter has just said, involves a number of other and very important and very significant concessions both from the company and some very

. . . Bugas: "This plan has a predictable cost"

important ones from the union that does not interfere with their own internal house and their internal status, but which are important to us.

We are very proud to have come to this decision without a strike, and we hope that in the future, Walter, that our relationships continue as they have been in the past, except improving as we go along.

I know our relationship will improve with the attitude that has been expressed across the bargaining table in spite of all the excitement occasionally. I know that they will improve. I am looking forward to that and I know that you are. I want to congratulate you and your entire committee and I want to thank all of the men on our own negotiating committee and our technicians because a truly magnificent job was done in these past 12 days. I feel, Walter, that we have accomplished about three months of ordinary investigation in the last 10 days. I know you haven't slept very much, have you?

Mr. Reuther: Well, frankly, John, I think both of us could use a good bath and a nice soft bed.

Q: Gentlemen, before you get any good baths, what about General Motors?

Mr. Reuther: Well, I am going to get a day's rest, fellows, and I then am going over to GM. I understand that they are bargaining over there.

Guaranteed Wage Is "Complex"

Q: Would you be a little more specific about the guaranteed annual wage or supplemental wage?

Mr. Bugas: It is extremely complex. I think you know the highlights. There have been a few changes here and there throughout the contract the last several days. Some things that the union suggested based on their prior studies were improvements in the plan and we inaugurated them. It is quite complex. I think you know the outline.

Essentially it is an assurance that when a man who works for Ford Motor Company is laid off, through no fault of his own, and under certain conditions, he gets a payment from the company from the fund that has been created from this plan. He gets a payment that, together with his unemployment compensation during a certain number of weeks during the year, will raise his take-home pay to 65 per cent of his Ford after-tax pay.

Q: How many weeks are there?

Mr. Bugas: In the initial period it will be four weeks, but, after the fund rises to a certain level above 49 per cent, then that four weeks becomes eight weeks. Walter, why don't you help me out on this?

Mr. Reuther: It is still on a 26-week basis. What we are doing is laying the foundation for the kind of security we think automobile workers and their families are entitled to and which we think in the long pull this kind of a plan will make possible. Now there were some significant changes in the company's proposal from the original submission. That Mr. Bugas has just referred to. We worked out provisions whereby workers with 10 years of seniority got special consideration with respect to earning credits.

We worked out the elimination of a feature which the union thought was discriminatory in character whereby workers in Ford plants in low-wage areas, where the level of unemployment is low, would get a much lower benefit.

Now they get the same general benefit as any other Ford worker.

We also transferred one penny of the money available in the GAW trust fund to other benefits because there was some difference between the union's technicians and company technicians. And I think they are all extremely competent, John.

Mr. Bugas: There is no question.

Mr. Reuther: And I think we could not have negotiated it at this session unless we had these very extremely competent technicians making it possible for us to analyze extremely complex problems.

We had this problem where the union's technicians said the company's problem was being cautious in its funding, and that, therefore, we could get more benefits for the amount of money available. So we took a penny out of the fund, and we spent that to buy other benefits for the workers. We finally went along with the company on their more conservative funding approach, because we agree that this is a united approach. We are charting new avenues here, and we are willing to sweat this period out to find out what the experience teaches us, and based upon the experience while we can decide where we are going in the future.

We know that this is the historic first step. This is the first time that any industry has ever really pioneered in trying to lay the foundation upon which we can build a fuller and fuller measure of economic security against the hazards of unemployment and layoffs. We cannot minimize the importance of this. And, I think that both the company and the union fully appreciate its historic significance.

Mr. Bugas: Walter, may I make one comment. I don't mean to interrupt. There were a number of things, of course, that concerned us greatly when we began studying the problem in the Ford Motor Company.

One was the possibility of getting into the situation of unlimited liability and unpredicted costs and into a tight plan that would require cash outlays at a time when the company could least afford to make cash outlays—that is, at a time of recession or unemployment—and it was only after a great deal of effort that we licked that problem. And if you gentlemen have the time to work over the plan when it is published, you will find—and I think this is extremely important to industries, particularly, who, perhaps, for one reason or another, consider this type of approach.

You will find that this plan has a definitely predictable cost—a positively predictable cost, with a fixed and limited liability, but yet has built-in flexibility and built-in cushions that provide a large measure of unemployment security for the employes of the Ford Motor Company, and I think, Walter, that you yourself have regarded those things that I mentioned as one of the very sound and desirable aspects of the plan—things that are desirable particularly from the point of view of the outfit that is putting up the cash or that is furnishing the cash with a fund. I don't mean to belittle the benefit aspect of it. I want to mention that.

Price of the "Package"

Q (by Jack Crellin of the Detroit *Times*): John, may I ask this question please? Didn't you and Walter agree on the price of this package to the Ford workers on a real basis?

Mr. Reuther: Jack always asks that question.

Mr. Bugas: So does Walter across the table, and I have to tell you the same thing I tell him—that I will not put a price on the package. Walter may do it, but I will not. That is his prerogative.

Mr. Reuther: Well, our sharp-pencil boys broke it down to the tenth of a cent, and when you compute the impact

(Continued on page 100)

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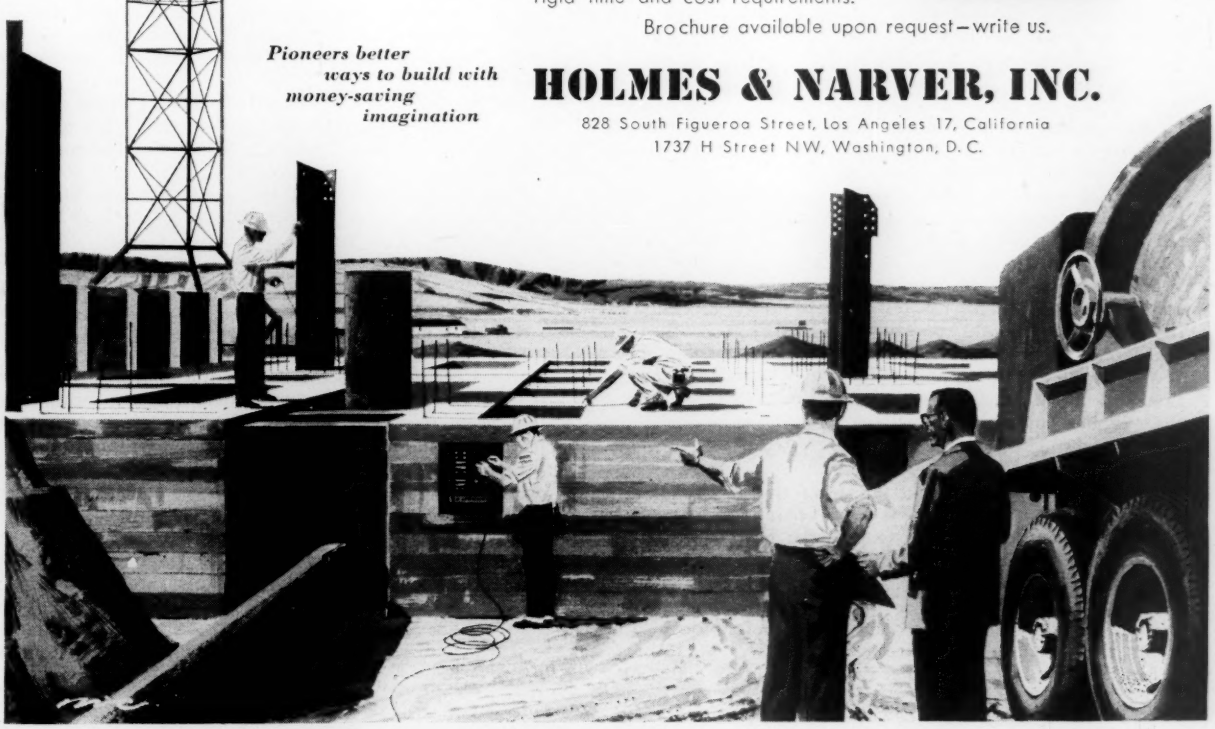


. . . Reuther: "It is the best pension negotiated to date"

of the higher wages and all of that upon the night-shift premium and the overtime and holiday pay, this package is in excess of 20 cents an hour, according to our sharp-pencil experts.

Q: John, do you still stand by your statement earlier that Ford is willing to match any more favorable settlement that is reached by GM and the union?

Mr. Bugas: That the proposal, that the counter-counter-counter-proposal that Walter and his fine group accepted had the stipulation that this was a final one. That this was a Ford package. It rested on its own, and we don't care a hoot what happened elsewhere, we aren't going to match it. This thing stands on its own, and I think—

Mr. Reuther: John, I would like to say that I think possibly there is a Ford in GM's future.

On Stock-Purchase Plan

Q: Is the stock-purchase plan still in here or is it out the window?

Mr. Reuther: The stock-purchase plan is not included in the package.

Q: How about annual improvement factor?

Mr. Bugas: Yes.

Mr. Reuther: Six cents per hour or 2½ per cent, whichever is higher.

Mr. Bugas: That is right.

Mr. Reuther: Well, you fellows will get a complete copy of the agreement whenever we get it finalized and all of the fine language worked out.

Q: How about pensions, Walter?

Mr. Reuther: Pensions are $2.25 [per month for each year of service] with $4.50 liability provision. It is, I believe, the best pension negotiated to date in any major industry.

It applies to the full benefits applied to the more than 10,000 workers who are already on retirement in the Ford Motor Company. You might say that that was one of the last things we worked out. I think Mr. Bugas and his associates stepped up to that in a very fine spirit.

Q: What is the maximum size of the fund?

Mr. Reuther: It still will be built to 55 million dollars. It does not change the size of the trust fund. It will just take a little longer for it to be funded.

Q: At 5 cents, 6 cents and 7 cents? [An earlier proposal called for company payments into the fund at 5 cents per hour per worker during the first year, 6 cents in the second year and 7 cents in the third year.]

Mr. Reuther: 5, 5, 5. The money is paid in immediately starting June 1st. The liability starts immediately and we have one year to build the fund to the point.

Q: June, 1956?

Mr. Reuther: That's right. We felt that that was the right time to build the fund adequately to begin to pay benefits.

Q: Is there any change in the company's security program?

Mr. Bugas: This, together with the other things, really . . . the company's security program.

Mr. Reuther: You can tell them, John, that the union, as a demonstration of its willingness to co-operate with the Ford Motor Company, has agreed to give the Ford Motor Company a letter which will enable the company to handle the stock problem as they see fit.

Q: John, since Walter says you have his permission to do as you see fit with the stock, what are you going to do with it?

Mr. Bugas: I have no comment to make.

Mr. Reuther: I might say that I expressed, at the bargaining table, that on several occasions when I felt it was most appropriate, that we would be very happy if every member of our union bought $5,000 worth of shares of that stock when it is made available.

Mr. Bugas: You said $20,000.

Mr. Reuther: Well, I am being—I was trying to impress you, John, and I am not trying to impress these people.

Q: When do you expect the 70,000 or so who went out on strike to go back?

Mr. Reuther: Well, the union's top negotiating committee is sending a telegram to all Ford workers urging them that they return to work and that at the earliest date they vote upon this package. There are still some workers that are still not out on strike and we are sort of in the middle of this thing and we are trying to get them back to work as quickly as we can so that work can be resumed on a normal basis, so that the workers may consider this thing in the next few days and vote whether to accept it or reject it. This is the whole thing. Everything.

Q: It still is to be seen whether State laws have to be amended to permit this?

Mr. Reuther: Yes, that is a problem.

Mr. Bugas: We call it integration. The plan is so written that it offers the greatest inducement to both parties. I don't think that the union needs any inducement, nor do we really, but it offers the greatest inducement to the parties to achieve what we call integration, and we feel with complete confidence that that will be achieved prior to June 1, 1956.

Mr. Reuther: We feel that we will experience no difficulty. There may be a few isolated States where the problem of integration will be raised and we feel that our substitute formula will meet that problem.

Mr. Bugas: Yes, the plan will go into effect in the States that have two thirds—I think it is 67 per cent of the total Ford employes, allowing integration. Michigan and Ohio will make two combinations. Michigan has to be one, and if you get Ohio, and failing Ohio, two others we could name.

Q: Then you don't think there is going to be any delay due to State laws?

Mr. Reuther: I don't think so. We have, I would say, almost complete confidence that that problem can be licked.

Q: Have you consulted with any of the governors of the States?

Mr. Reuther: No. We felt that wasn't the way to do it. We had better see what kind of an animal we had before we proceed. It's a very lovely animal.

"A Very Attractive Proposal"

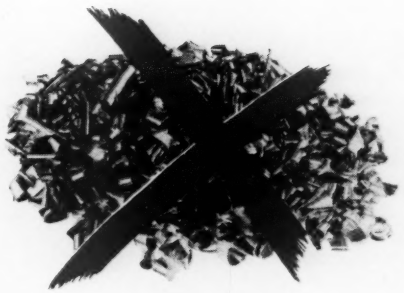
Q: Mr. Reuther, are you completely confident of approval by all locals?

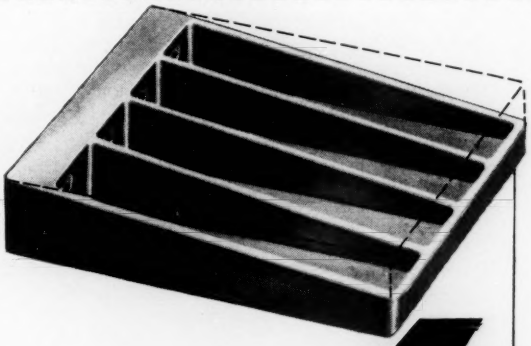
Mr. Reuther: Well, there is no question in my mind that the Ford workers will agree when they are familiar with the greater security, the wage increases, the pension benefits, the hospital-medical-care benefits, the improvement in the working agreement, the GAW, all these things, they are going to recognize that their committee has done a good job in their behalf and I think that they will overwhelmingly ratify this.

Now, in every collective-bargaining agreement you never get everything that everybody wants. And, I believe that based upon the give and take at the bargaining table that this represents a very attractive proposal and I think the Ford workers will realize that and will vote overwhelmingly to approve it.

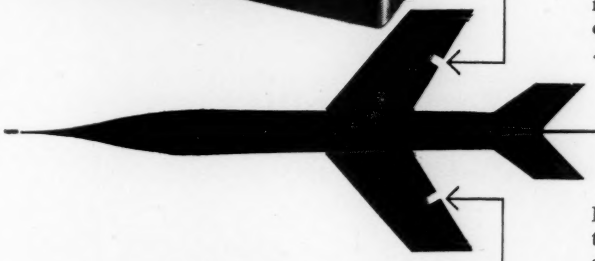
(Continued on page 102)

Harvey precision forgings... fewer machining hours, more flying hours

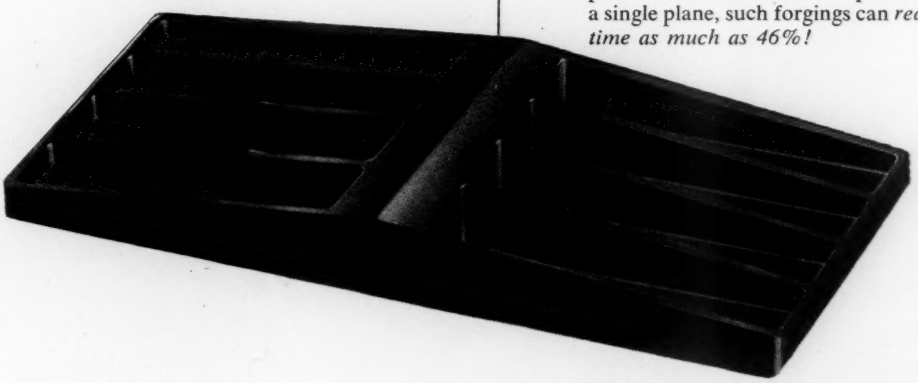




This is the old way of making an aileron actuator attach fitting . . . machining it from aluminum billet stock. It has three drawbacks. First, it adds many hours to plane construction time . . . second, it requires specialized, expensive machinery . . . third, it can *waste up to 90% of the metal.*



Here's a Harvey *precision* aluminum forging, two fittings produced as one piece, then cut apart. Zero draft eliminates slow, costly counterboring or back spot-facing . . . forging to finished-part dimensions avoids complex machining. On a single plane, such forgings can *reduce machine time as much as 46%!*



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. . . Reuther: "Annual wage is a constructive incentive"

Now, the committee was unanimous, and I want to say that every member of that committee was of the opinion that this is a tremendous victory, and that this represents a great step forward for Ford workers.

Q: Was your committee unanimous too, sir?

Mr. Reuther: Yes, completely. I might say that there was a couple of times that I proposed we have a referendum in there that each time I was charged with having stacked the committee rooms.

Mr. Bugas: Walter made one mistake. He offered to vote on a proposal that he made, and he said let us have your side of the table vote the way they wish and our side will vote the way it wishes, and we will abide by the outcome. One of his associates on his negotiating team got up and made a hurried comment. He said, "Just a minute, Walter, you outnumber us by one." So we didn't vote on that, but we hacked it out and came to an agreement on it.

Q: Mr. Reuther, to what extent do you see the guaranteed-wage principle here as a pattern, first for not only the auto industry, but the rest of your industries?

Mr. Reuther: Well, I think that there is a growing awareness in industry circles in America that we need to do more and more and more to achieve economic stability of our economy. That unnecessary layoffs are a great economic waste, and I believe that the GAW is going to be the kind of constructive incentive, and I think more and more and more it will be applied to a broader and broader section of American industry.

Q: What I wanted to ask is how fast are you going to move to try and put it in the other industries?

Mr. Reuther: Well, I am not in a position to discuss time schedules or strategy. That is a matter that will evolve.

Q: You are going over to GM tomorrow, though?

Mr. Reuther: I understand that there is a GM conference tomorrow. I will go to that conference.

Q: Walter, there was a talk of funding this on 5, 6, or 7 cents. Has it now been leveled down to 5 cents across the board?

Mr. Reuther: That is right. We agreed to take a penny out of that and apply it to other benefits, because we felt that the level of funding was more than adequate. That was the big controversy between the company and the union several days back, so we agreed to reduce the money going in. Spend that money elsewhere and have a 5-cent level funding to build up to 55 million dollars.

Q: That is 5 cents each year?

Mr. Reuther: That is correct.

Q: Didn't that amount to more than a penny, Walter?

Mr. Reuther: Well, all I can say is that the union made a good trade.

Mr. Bugas: Well, Walter, I feel that we made a good trade, too.

Mr. Reuther: Very good, John.

What the guaranteed wage means to employers, page 28. An explanation of what workers get in their new contract with Ford, page 104.

—United Press

ANSWERING NEWSMEN'S QUESTIONS: FORD'S JOHN S. BUGAS AND CIO'S WALTER P. REUTHER
Mr. Bugas: "We recognize that we have some special responsibility to our employes"
Mr. Reuther: "This package is in excess of 20 cents an hour, according to our sharp-pencil experts"

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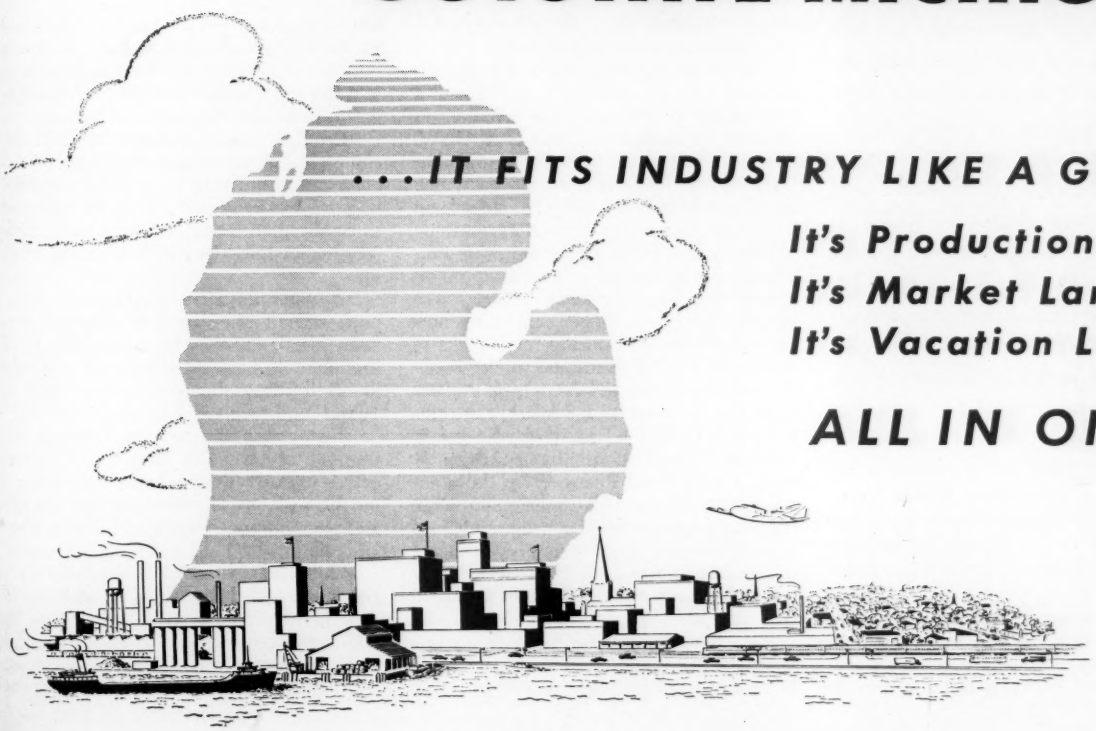

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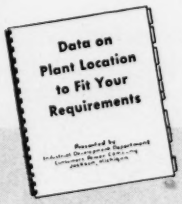

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WHAT FORD WORKERS REALLY GET

More Pay, Bigger Pensions, Start to Annual Wage

Pay for time not worked makes the headlines, but Ford workers are getting much more than that under their new contract.

Pensions are boosted to a point where a 30-year man and his wife may draw $230.25 a month. Also, wages are to go up every June for three years.

That's not all. Insurance benefits go higher. Two half holidays and a half week of vacation are added.

DETROIT

To give you the real meaning of the settlement between Ford Motor Company and CIO's United Auto Workers, here is a point-by-point breakdown of the agreement:

• **Pay during layoffs.** The section of the agreement getting most attention is the company's plan for paying benefits to laid-off workers to supplement checks received from the State unemployment-insurance fund.

The UAW, in this Ford agreement, did not win its original demand for a guaranteed annual wage, but Walter P. Reuther, president of CIO and UAW, terms it a big victory on the ground that Ford had accepted a principle on which the union hopes to build a broader plan for year-round wages.

Under the Ford settlement, an employe who is laid off will collect unemployment benefits up to 26 weeks. These benefits will equal 65 per cent of his normal take-home pay during four weeks of the layoff. For 22 additional weeks, benefits will equal 60 per cent of his after-taxes pay for a 40-hour week. No benefits will be paid for the first week of a layoff.

These benefits will be paid partly from a trust fund financed by the company and partly by the regular State unemployment-insurance program. Ford agrees to give supplemental payments, up to $25 a week, to bring a worker's unemployment benefits to the 60 or 65 per cent level.

The trust fund will be built up by company payments made at the rate of 5 cents for each hour worked by each Ford employe, until the fund reaches 55 million dollars. After that, payments into the fund will halt, and the company will resume them only if the fund is reduced by benefits paid to workers.

"Credits" for workers. To get the company benefits under the plan, a laid-off worker must have earned "credits" based on the number of weeks worked since the plan began. He will earn these "credits" while the fund is being built up.

No unemployment checks are to be paid out of the fund during the first year. Ford starts paying into the fund immediately, but the workers will not begin to draw benefits before June 1, 1956.

Then, when the payments begin, the number of weeks of benefits to be received by any Ford worker will depend on the number of weeks he has worked and the amount of time he has been laid off.

While the trust fund is being built up, no worker will be able to collect the full 26 weeks of benefits in a year. He will not have enough "credits."

An employe will not be able to accumulate more than 26 "credit units."

HERE IS THE FORD "PACKAGE"

- **Guaranteed wage.** Employe, when laid off, draws 26 weeks of unemployment pay at 60 to 65 per cent of regular "take-home" pay. Cost to company: 5 cents an hour per worker.
- **Pay raise.** Three wage increases, each averaging 6.2 cents an hour—one now, one on June 1, 1956, one on June 1, 1957. Cost to company: Now, 6.2 cents an hour; a year from now, 12.4 cents; two years from now 18.6 cents.
- **Extras for skilled workers.** On top of general wage increase, skilled workers get an average 8-cent raise. Cost to company: 1.3 cents an hour.
- **More health insurance.** Seven improvements in insurance plan include extension of benefits to employe's wife and children. Cost to company: 1.2 cents an hour.
- **Holiday pay.** Employe will draw triple pay when he has to work on a holiday. Cost to company: .8 cent an hour.
- **Longer vacations.** A worker with 10 to 15 years' service will get 2½ weeks of vacation, instead of 2 weeks. Cost to company: .2 cent an hour.
- **Other changes.** These include various improvements, such as higher pay rates in some local plants. Cost to company: .8 cent an hour.

Note: Costs based on estimates by United Auto Workers, CIO.

And, in the early stages of the program, until the trust fund builds up, a laid-off worker will need to have more than one "unit" to obtain a week of benefits.

Older employes, with more years of service, will collect a week of benefits for each "credit unit" earlier than will the newer employes. For example, a man with 25 years of service will get a week's benefit for each "credit unit" when the fund reaches the 40 per cent level.

How program works. To illustrate how the worker will fare, the Ford Company offers as an example the case of a Detroit employe with a wife and one child. It is assumed that this worker earns $100 a week before taxes, or $87.02 after taxes. He collects $42 a week from the State unemployment fund.

During the first week of a layoff, this worker would receive no checks from the company or State. As in the State program, there will be a waiting period of one week before payments are made from the Ford trust fund.

For the next four weeks, this worker will get $14.56 a week from the Ford fund in addition to $42 from the State, bringing his unemployment-benefit total to $56.56 a week.

For the next 22 weeks, the worker will get $10.21 a week from Ford and $42 from the State, for a total of $52.21 a week. His benefits during the 22 weeks will be at the rate of 60 per cent of normal take-home pay, while those during the first four weeks of benefits will be at 65 per cent.

State-law changes? No payments are to be made from the Ford fund until State officials authorize the plan for company benefits as a supplement to the State unemployment benefits.

There have been rulings in some States that bar workers from collecting State benefits when they are getting unemployment pay from a company. Ford and the union believe that this hurdle can be eliminated either through changes in State laws or administrative rulings.

The Ford contract provides that the company benefits will not start before favorable rulings have been obtained in States in which Ford has two thirds of its employes. If Michigan and Ohio give the green light, for example, the plan can go into effect next June. If the rulings are not given before June, 1957, the whole plan is to be terminated.

● **Pension increase.** Another part of Ford's new agreement with the auto workers' union calls for bigger pensions.

In 1949, when Ford introduced the first pension plan in the auto industry, a Ford worker with 30 years of service could retire at age 65 on a pension of $100 a month, including his Social Security. Later, this figure was raised to $161 a month by a combination of increases in federal benefits and company payments. Of this amount, the company paid $52.50 and the Government $108.50.

Now, under the new contract, a 30-year man can draw up to $176 a month, with Ford paying the additional $15. If the wife also is receiving Social Security retirement pay, this couple will draw $230.25 a month under the new Ford schedule.

Also, the new formula permits a worker to receive credit for more than 30 years of service, which was not possible in the past. So a man who has worked 40 years for the company can retire with a pension of $237.80 a month, including his Social Security and that of his wife.

Ford workers can retire when they reach age 65. When a worker has 30 years or more of service, his monthly pension will be computed on the basis of $2.25 for each year of service. Formerly, payments were based on $1.75 for each year.

If a worker is disabled before reaching age 65, he can retire with a monthly pension based on $4.50 per year of service. This rate formerly was $3 a year.

● **Wage boosts.** Ford workers, under another provision, are to receive an immediate pay raise averaging 6.2 cents an hour. Next June, they will get a second raise of the same amount, and in June, 1957, an additional 6.2 cents.

Actually, most of the workers will get 6 cents, the minimum increase, but higher-paid employes will collect considerably more. The formula calls for a raise of 6 cents or 2.5 per cent of base pay, whichever is greater.

This is the so-called "annual improvement factor" of the auto-industry agreements. The formula paid 3 cents at the start, in 1950, but had gone up to 5 cents by 1953. Workers in higher pay brackets are given an extra break in this new sliding scale.

The Ford agreement continues another feature of the long-term contracts pioneered by General Motors. The cost-of-living allowance is retained by Ford and the UAW, but the rate of increase is stepped up by 17 per cent.

For the three years of this agreement, Ford workers will get a quarterly adjustment in the cost-of-living allowance, which is tacked on their basic wage.

If the cost-of-living index goes up, the allowance is boosted. If living costs drop, the allowance is cut. There is a limit, however, on the pay cuts. In no event could Ford workers lose more than the amount of the allowance—now 6 cents.

The allowance, as revised, will go up one cent an hour every time the official index rises half a point. The old contract boosted the allowance one cent for every rise of three fifths of a point in the index. The same formula governs reductions in the allowance.

(Continued on page 106)

NEW ALLIS-CHALMERS HD-16, HD-21

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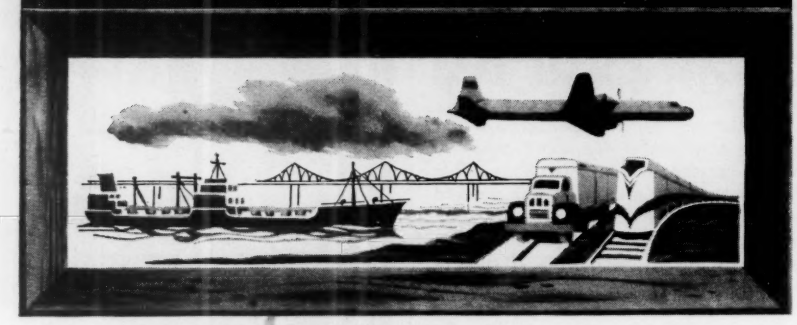

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By a Subscriber

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BYERS PIPE

. . . Skilled workers at Ford get 14-cent boost

Skilled workers, such as tool and die makers, are to get additional pay increases, although not as large as they sought. Their extra raises—in addition to the general raise of 6 cents—will vary according to occupation, but will average 8 cents an hour.

• **Health insurance.** Seven improvements were made in the Ford insurance program for employes. Wives and children of employes, for example, are to be covered by the hospital medical benefits under the program.

These benefits also are increased from $4 a day for a maximum of 70 days to $5 a day for the same period—which comes to a gain of from $280 to $350, or 25 per cent.

Higher-paid workers are to be given greater coverage in life insurance policies. An employe earning $2.90 an hour gets his life insurance benefit raised from $4,400 to $6,000. If he is killed in an accident, his family gets an additional $3,000, instead of the $2,200 benefit formerly in this policy. Workers will pay slightly more for this larger benefit, the company explains, but the company's share of the cost also will go up.

Benefits are to increase under accident and sickness policies, without extra cost to the worker. The benefit will go up to about 60 per cent of base earnings. Thus, an employe being paid $2.20 an hour may draw as much as $52.80 a week in benefits, rather than the $43.60 previously allowed.

• **Other fringe items.** The Ford agreement also gives employes two additional half holidays with pay each

(Continued on page 107)

1955 Raises In Pay and Fringes

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. . . $72 in pay for one holiday's work

year: Christmas Eve and New Year's Eve. Workers previously had six paid holidays a year.

If a worker is required to work on a holiday he will get triple pay. This can bring a day's wage of $72 for a skilled man rated at $3 an hour.

Vacations, too, are more liberal under the new contract. An employe with 10 to 15 years of service will get two and a half weeks of vacation each year, with pay. This is a gain of a half week. A worker with 15 years or more of service gets three weeks of vacation with pay.

85,000 Strikers Stall a Nation

LONDON

Prosperous Britain has been finding that 85,000 workers, by striking against a couple of key industries, can slow up a boom, bring on unemployment and disrupt production of goods that help the British earn their way in the world.

These 85,000 workers are only a fraction of Britain's working population, yet in a little more than two weeks they had caused so much trouble that Prime Minister Sir Anthony Eden warned that his country was "slipping behind" competing industrial nations by the hour.

Walkouts in the rail and shipping fields jarred the country's industrial machine, officials felt, at a time when Britain's prosperity demanded harmony and co-operative growth. Employers say that they will be unable to estimate the extent of the injury to the economy for months to come.

Coal mining, a sick, nationalized industry, is getting deeper and deeper into trouble. Strikes of miners earlier had cost the loss of a million tons of badly needed coal. Output already was lagging behind industry's needs.

Then, the railroad strike cut off most coal shipments. The Government turned to use of trucks in an effort to keep coal moving into other industries, but this step proved inadequate. Manufacturers found that their costs were going up where they had to use coal delivered by truck or where they bought imported coal to keep their plants operating.

Steel production also was hard hit. Rate of steel production was slowed by an estimated one fifth during two weeks of the rail strike. Industry sources

(Continued on page 108)

NEW CATERPILLAR DIESEL TRACTORS D8, D9

. . . with Torque Converter Drive

To make sure of highest possible performance from the new CAT D8 and D9 Tractors, Twin Disc and Caterpillar engineers developed Twin Disc Torque Converter Drive matched precisely to *each* tractor's power characteristics . . . and available as a new optional feature for *faster, easier work cycles.*

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BOSTON
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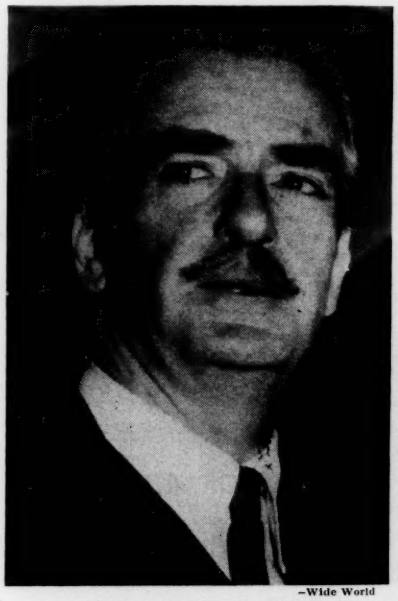
. . . U.S. buyer cancels British bicycle orders

said that it will be difficult to meet the 1955 goal of 19.5 million tons of steel, an increase of a million over 1954's output.

Industries related to steel and coal also were affected by the rail stoppage. These included the auto plants and the factories making engineering products, two industries that are the backbone of Britain's export trade.

At the seaports, a strike of dock workers added to troubles of shippers and tourists. For example, a Baltimore buyer sent word to the bicycle industry here: "Cancel orders. Cannot wait for strikes to end." A British manufacturer commented: "And we are faced with tough competition from the Germans, who never seem to be bothered with strikes."



–Wide World

PRIME MINISTER EDEN
. . . the nation was "slipping behind"

A strike of stewards on transatlantic liners also hurt the tourist business, on which Britain depends for a large part of its dollar income. Liverpool shipping officials commented that there would be "a serious loss of dollar earnings and the good will of the traveling public, particularly American, which has been so painstakingly built up over many years."

In effect, Britain found itself caught in a sort of pincers movement, with one jaw squeezing essential revenue from sales of goods abroad and the other jaw reducing invisible earnings from ever-growing spending by tourists.

NEWS-LINES

WHAT YOU AS A BUSINESSMAN ☑ CAN and ☒ CANNOT DO

as a result of recent court and administrative decisions

☑ **YOU CAN** give your employes a series of paid holidays without consulting a union that is seeking recognition as bargaining agent—provided that the union has not been named legal representative of the workers. The National Labor Relations Board finds that under such circumstances an employer is not required by the ***Taft-Hartley Act*** to discuss the establishment of a system of paid holidays with a union.

* * *

☑ **YOU CAN** probably avoid paying a federal tax on your dues as a member of a ***businessmen's luncheon club*** that is used by businessmen mainly for opportunities to discuss business matters without interruption. A federal district court holds that such a club, which accepts membership applications, "almost automatically," is not subject to federal-dues tax as a social club.

* * *

☑ **YOU CAN,** as operator of a candy or gum-selling machine that occasionally dispenses toy charms of negligible value, forget about paying a gaming-device tax. The Internal Revenue Service says these machines are not subject to this ***excise tax.***

* * *

☑ **YOU CAN,** as owner of a ***cotton-seed-crushing*** mill, sell your products to the Government up to August 15. This deadline is extended by the Department of Agriculture to allow further time for these products to be sold in normal trade channels. The ruling applies only to products made from the 1954 cottonseed crop.

* * *

☒ **YOU CANNOT,** as a manufacturer, expect the courts to enforce your price-maintenance agreements under a State ***"fair trade" law*** if you permit cut-rate sales of your product to special classes of customers. A State court of appeals rules that a manufacturer loses his right to enforcement of price maintenance by allowing cut rates for some buyers.

* * *

☒ **YOU CANNOT** legally refuse to negotiate with a union shortly after it is certified as ***bargaining agent*** for your employes, just because the union is believed to have lost its majority status. By refusing a review, the U.S. Supreme Court leaves in effect a lower-court ruling that an employer was not relieved of duty to bargain with a union, four months after its certification, by challenge of the union's status.

* * *

☒ **YOU CANNOT** treat as a ***business expense,*** for tax purposes, the amount that a new company must pay to another company's creditor in order to obtain a franchise to sell the creditor's product. Internal Revenue Service rules that such a payment must be treated as a capital expenditure.

* * *

☒ **YOU CANNOT,** as a ***liquor wholesaler,*** require your customers to buy certain brands to obtain more-desired items. A court of appeals finds that tie-in sales of this kind violate the Federal Alcohol Administration Act.

* * *

☒ **YOU CANNOT,** as ***operator of a farm,*** collect from the Government for damage done to your crops by wild fowl that are protected from hunters by a proclamation issued under the Migratory Bird Treaty Act. The Supreme Court leaves in effect a court ruling that the Government is not liable for destruction of crops by wild geese.

* * *

☒ **YOU CANNOT** safely allow your supervisor to question employes about which worker brought ***union-membership cards*** into your plant. NLRB says this violates the Taft-Hartley law.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government Bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

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Employment, a laggard in the boom, shows signs of catching up.

Jobholder total in May went to 62.7 million, a record for the month.

Biggest gains, as usual, were in farm and construction jobs, but a jump of 61,000 in factory employment took place, too. That's unusual for May.

All in all, a few more than 1 million people found jobs between April and May. Also, employment last month was about 1.5 million above May, 1954.

Auto industry, of course, shows the sharpest payroll gains from a year ago. This industry probably is due to cut back in months just ahead.

Bigger payrolls also are reported for steel mills, metal-working plants and electrical-machinery makers--all recovering from last year's setback.

Clothing factories added workers, compared with a year ago.

Little change in payrolls is noted for nonelectrical-machinery, food, tobacco and petroleum industries. There are fewer workers than a year ago in factories making ordnance and precision instruments.

After seasonal adjustments, the Government's index of unemployment dropped to 107 per cent of the 1947-49 average. It was 118 in April and 142 in May of last year. That is quite an improvement.

Employment totals, however, fall short of absorbing the labor force.

Unemployment is put officially at close to 2.5 million for May. That's down substantially from a year ago, but it's still higher than in 1953.

Total number without jobs shrank by only 473,000 in May, despite the 1 million additional jobholders. Reason: Labor force grew by 545,000.

Jobless ranks will swell this month as students and other seasonal workers hunt for summer jobs. There will be more job hunters than job finders.

Labor Department surveys find almost no areas where the labor supply is actually tight. One reason is that industry is more efficient. Chicago Federal Reserve Bank calculates that output per worker has gained about 8 per cent since 1953. Investment in plant and equipment is paying off.

Employment conditions, nevertheless, have improved markedly.

Married men found jobs in increasing number during May. This group made up 40 per cent of the total unemployed in April, but only 33 per cent in May.

Workers unemployed for 15 weeks or longer also declined in May to 900,000. The number in this group came to 1.1 million in April.

Hardship imposed by lack of jobs is becoming less severe.

Payroll gains carry a promise of rising sales.

People's income in April--latest month for figures--hit a rate of 295.6

(over)

billions a year, up 1 billion from April.

Income payments to individuals are running 11.2 billions ahead of 1954.

Higher wages and salaries account for most of the increase--8 billions.

More income boosts are ahead. It's almost certain that wage raises are to be general, now that Ford has settled with the Auto Workers Union.

It would not be surprising if the billion-dollar gain from April to May is repeated. And, with more money to spend, people can be counted on to spend it. There are no signs now that the free-spending mood is weakening.

You can also be fairly sure that business activity is to stay high through the year, at least. Business firms have raised their investment sights, and capital investment gives a powerful boost to general activity.

Inventory buying, another boost to business, is stepping up.

Look at the inventory totals: 76.9 billions in January; 77.3 billions in February; 77.5 billions in March; 77.7 billions in April. Those are estimates of the Commerce Department, adjusted for seasonal variations.

Inventory trend has turned around since last year. Then business firms were cutting down on stocks. That was a drag on business. Now firms are adding to their stocks. That's a business stimulant.

Inventory build-up is taking place chiefly at stores and warehouses.

Retail inventories have increased 600 millions since January, with auto dealers accounting for a healthy slice.

Wholesale inventories are up 200 millions in the same period of time.

Factory inventories show only a 100-million-dollar gain since January.

Total factory inventories, at 43.3 billions, have not changed much since October. They are 1.2 billions below a year earlier. Explanation is that sales have just about matched factories' ability to deliver.

Signs are that inventory buying is to keep on for a while.

Retail inventories reached 22.8 billions in April, seasonally adjusted. That's about the same total as a year ago, but retailers' stocks now are lower in relation to the current rate of sales.

Retail growth in inventories is chiefly in autos and clothing stores.

Other stores have shown little change in inventories since January.

With sales strong and in a rising trend, it's reasonable to expect other retailers to add to stocks. That means more output from factories.

Foreign trade is another spur to rising activity in the U.S.

Commercial exports, excluding military shipments, are running 13 per cent ahead of last year. Volume so far this year is more than 4.6 billions.

Military shipments are down sharply from a year ago.

Business activity also is increasing in other countries, thereby adding to their demand for products of U.S. industry.

Toll-road projects are going ahead rather rapidly.

Bond issues to finance toll highways are expected to hit 1.6 billions in the next six months and to soar to 13.5 billions in the next five years. This highway building is to be in addition to other public road programs.

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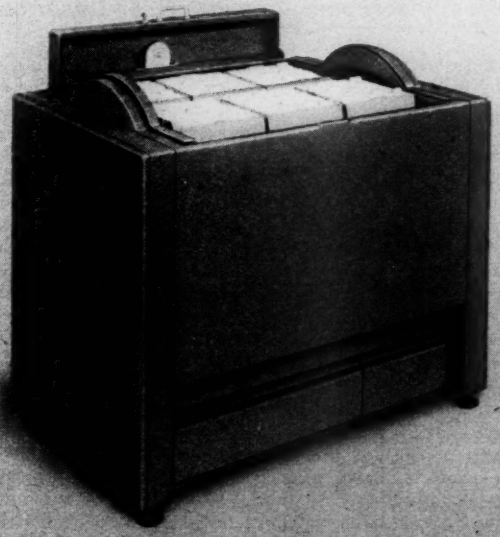

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RUSSIANS FEAR THEIR OWN ENGINEERS

Turned Out in Big Numbers, They Are Strictly Regimented

Russian scientists and engineers turn out now to be highly suspect.

Top Communist officials distrust them because of a tendency to be "internationalists" and a need by Soviet scientists to follow developments of the non-Communist West.

Result: Training of new Soviet engineers and scientists now is suffering, is being compartmentalized, with students tightly specialized, learning by rote. Graduates are watched carefully, their contacts limited.

So reports an authority on Russian industry, Demitri B. Shimkin, economic analyst in the Commerce Department's Census Bureau.

by Demitri B. Shimkin

Economic Analyst, U. S. Department of Commerce

Two fundamental considerations dominate the selection, training and use of physical scientists and engineers in the Soviet Union. The first consideration is the vital role of these specialists in building up Soviet military-economic strength, while the other is Communist fear of scientists and engineers as potential subversives.

Since 1928, the basic objective of Soviet economic policy has been to maximize Russian war potential. To achieve this goal, the Soviet government has stressed the development of producers' goods industries, especially the manufacture of machinery. It has, by the same token, sought to minimize the resources allotted to civilian consumption, transportation, maintenance and other secondary sectors. And, in fact, the Soviet Union did increase its industrial output more than eightfold between 1928 and 1953.

This rise, and the associated increase in the volume of construction, have accounted for 70 per cent of the growth of Soviet national income (at constant prices) over the past quarter century. The Soviets have also been able to double industrial man-hour productivity since 1928. Their successes in intensifying the use of capital have been great. On the railroads, the tonnage of freight hauled per mile of first-line track quadrupled between 1928 and 1950, and is now about twice as high as in the United States. In electrical power, the Soviets have increased output per kilowatt of installed capacity from 2,600 hours in 1928 to about 4,900 in 1954, a record matching the American. In manufacturing generally, two-shift operation has been the postwar practice.

Last year—1954—the volume of Soviet manufacturing and mining was about 35 per cent that of the United States. But for a number of commodities—coal, in bituminous equivalent, lead, and steam turbines—it was 90 per cent as great. For machine tools it was nearly 70 per cent; between 50 and 55 per cent for copper, zinc and pig iron. However, the relative outputs of other important products were considerably smaller: tractors, 35 per cent of the U. S. level; electrical power, radio receivers, and cement, 27 per cent; petroleum, 13 per cent; and natural gas, less than 2 per cent. In addition, Soviet industrial man-hour productivity was only some 28 per cent of the American.

Furthermore, the margins of capacity and of stockpiled supplies have remained inadequate for major military efforts. Even the Korean war strained the Soviet economy severely. In 1951 and 1952, it forced the imposition of stringent limitation orders upon the uses of nonferrous metals, ferroalloys, plate steel and petroleum products, as well as large cutbacks in truck, locomotive, freight-car and tractor production. Also, agricultural production and transportation capacity are quite inadequate. Finally, the combination of war losses, long working hours and low productivity has reduced the manpower available for military mobilization to two thirds the Soviet 1940 potential, and to less than that of the United States today.

These, then, have been the factors underlying the tremendous, continuing Soviet effort to enlarge Russia's scientific and engineering strength. The effort has embraced five elements: incentives, selection, training, intelligence and selective borrowing from the West, and research. Let me review these elements briefly, with major reliance upon the work of Nicholas DeWitt [of the Russian Research Center, Harvard University]:

1. During student and early professional years, the major incentive is prolonged deferment or even exemption from military service. Of course, engineers, like all other Soviet professionals, must accept civilian assignment as directed. In later years, the material rewards may become very large, with handsome salaries being supplemented by prizes and bonuses. Direct allotments of extreme Soviet scarcities, such as apartments, summer cottages, automobiles and other consumer durables, are customary. Professional earnings are lightly taxed, a maximum of 13 per cent; inheritance taxes, too, are moderate.

2. The base of selection is relatively narrow, with all higher education contingent upon fluency in Russian. Other political, economic and cultural factors strongly favor the children of urban, white-collar workers. Thus, an analysis of official Soviet data reveals that, in 1940, such children enjoyed five times as great a probability of completing a pro-

. . . "Premature and extremely narrow specialization"

fessional education as did the children of blue-collar operatives, and 11 times as great a probability as peasants' children. In the United States, the comparable differences are much smaller, 2.7 and 3.6 to 1, respectively.

Beyond this limitation, a regional one exists. In 1939, 50 per cent of the entire Soviet enrollment in the curriculum of industry, construction, transportation and communications was concentrated in three cities—Moscow, Leningrad and Kharkov—which together held less than 5 per cent of the nation's population. At the same time, women enjoy greater opportunities than in this country; in 1940, nearly a fifth of all Soviet physical scientists and engineers were women.

Most important, the selection for vacancies in institutions of higher learning within the groups tapped appears to be both competitive and objective. It is based essentially upon performances in nation-wide, uniform written and oral examination covering mathematics, physics, chemistry, Russian language and literature and a foreign language. About 70 per cent of those matriculating in the physical sciences and engineering graduate.

3. Over the past quarter century, 30 per cent of all Soviet graduations from institutions of higher learning or twice the American ratio, have been in the physical sciences and engineering. As a result, the number of working graduates in these professions has increased, according to DeWitt's estimates, from 40,700 in 1929 to 541,000 in 1954. Thus, the Soviet Union has now reached two thirds of the American personnel strength in these fields.

–USN&WR Photo

DEMITRI B. SHIMKIN

The training given Soviet scientists and engineers is characterized by marked excellencies and by equally marked deficiencies. The duration of secondary and basic professional education, eight years, and the content of the general science courses offered compare favorably with our own. Moreover, uniform standards are enforced by nation-wide examinations at both secondary and higher levels. Soviet secondary education is primarily oriented toward preparation for a technical career. In the eighth to tenth grades, corresponding to our high schools, 38 per cent of the classroom hours are devoted to mathematics and science; 3 per cent to drafting; 11 per cent to a foreign language; 5 per cent to military training, and only 41 per cent to all other instruction. In addition, abundant and sizable stipends insure continuous full-time study by all competent students. Finally, higher education routinely combines formal instruction with guided industrial practice and with research.

The most serious weakness of Soviet technical education is its subordination to production ministries and even administrations. This has led to premature and extremely narrow specialization, with overriding emphasis upon the minutiae of current practice, and with the avoidance of critical and experimental approaches. The absence of elective courses and the practical impossibility of changing from one curriculum to another reinforce the rigid compartmentation of Soviet education. The teaching and testing methods, too, are empirical and stereotyped, for educational theory is an area reserved to Communist Party dogmatists. Scientific societies in the Western sense do not exist.

The teaching staffs in the physical sciences and engineering are heavily burdened, with a student load two thirds greater than in this country, and with about twice as many hours of teaching. Their task is made more difficult by acute deficiencies in teaching aids. The textbooks are either general, very conservative expositions, or detail-crammed technical manuals, or translations of Western works. Laboratory equipment and materials are very scarce. Finally, the students themselves are fearfully overloaded, with 40 hours of classwork weekly, too many courses and too frequent examinations, and their small leisure devoured by political rallies and similar extracurricular compulsions.

4. As DeWitt has shrewdly observed, Soviet technical education is basically designed to mass-produce supervisors of manufacturing routine. This specialization is possible so long as necessary innovations can be systematically borrowed from the West. Before World War II, and especially before 1935, the Soviets had many of their new industrial plants designed and erected by Western firms, and selected Soviet engineers and workers were sent abroad for training, while Soviet scientists participated in international meetings and other exchanges. In addition, Soviet foreign trade missions undertook the purchase of advanced foreign designs and technical intelligence generally as primary functions.

During World War II, Lend-Lease provided a massive transfusion of Western experience. Several thousand Soviet engineers were sent to the United States during their period in order to gain a comprehensive understanding of American industrial layout and practice. Advanced equipment was either imported or available from blueprints. The occupation of Germany provided further opportunities. All of this new information was rapidly assembled and organized; by 1950, numerous compendia, such as the 16-volume encyclopedia on machine-building design, had appeared. The direct fruit of this carefully used aid was a Soviet technological break-through in atomic energy and other weapons development.

In all, one can scarcely overstate the dependence of Soviet Union on Western, especially American, technology. For example, every motor-vehicle design known to be in production in the U.S.S.R. today is a direct copy or simple redimensioning of a foreign prototype. Again, the structure of Soviet industry—plant sizes, locations and layouts—corresponds remarkably to the American. Even so typical a Soviet institution as the Stakhanovite speed-up system has a clearly traceable ancestor in Taylor's time-and-motion studies [Frederick Winslow Taylor, famed American engineer, 1856-1915].

5. Dependence upon the West is a cheap and fairly sure way to achieve technological progress, but it incurs the disadvantages of a built-in time lag and of solutions inappropriate to peculiarly Soviet conditions. A domestic research program is essential to overcome these disadvantages.

As you know, Russian science has a strong tradition, with many outstanding figures, such as Lobachevski in mathematics, Mendelyeev in chemistry, Fersman in geochemistry, and the Vavilov brothers in plant genetics. Government sup-

. . . "The Communist Party dare not trust the scientist"

port, centralized organization, and planning have characterized Russian research for the past two centuries. Although Western coverage of Soviet-published research is very poor, it is clear that at the present time only the United States surpasses the U.S.S.R. in research volume. In chemistry, for example, possibly a fifth of the current world literature is in Russian; the topical coverage, too, is wide, although organic chemistry is especially well represented. Yet, although some exceptions, such as casting technology, must be noted, the successful applications of original Soviet research appear to be notably few.

Why? In part because of qualitative weaknesses in Soviet science itself, weaknesses in experiment design, instrumentation and control which have led to unsure results. These weaknesses are vanishing. Other causes are the conservatism, compartmentation and structural rigidity of Soviet industry,

—Sovfoto

IN RUSSIA'S TECHNICAL SCHOOLS . . .
. . . "methods are stereotyped . . . students overloaded"

traits reinforced by Soviet technological selection and training systems. Even more important is party dictation, which forces Soviet industry to produce at all costs, to improvise rather than to reach basic solutions. This dictation is not loath to waste resources and even lives on the fancies of party dilettantes. Above all, there is fear of error, or even of sufficient prominence to be chosen as a scapegoat for party blunders.

The Soviet scientist and engineer, I must stress, is deeply suspected by the party. His vital technical skills give him a power potentially challenging the party's absolutism. To do his job, he must maintain contact with both the prerevolutionary past and with the West. And the logic of his work drives him into repeated conflict, open or hidden, with party dogma and favoritism.

The party must therefore take strong measures to maintain its control. It recruits its scientists from the most privileged group in the Soviet Union—the Russian, urban elite. It presses them to join the party, rather successfully for scientists and engineers as a whole, much less so for their teachers. Of the former, 38 per cent are party members; of the latter, 17 per cent. It holds to a minimum the training of scientists and engineers in nonvocational fields, it compartments their work and it monopolizes the essential intercommunications between these compartments. The party organizes elaborate networks of inspectors and informers. And, periodically, it imposes terror, forcing scientists to grovel, to abase themselves before party pronouncements and, at times, to die in token of their subjugation to Marxist-Leninist-Stalinist infallibility.

Thus, in fighting potential subversion, the party generates apathy and despair, if not actual subversion. In consequence, there is a constant flight from responsibility, from operations to administration or teaching. Despite the large numbers of engineers trained, despite compulsions, and despite the great material incentives, shortages of skilled manpower in high-priority areas are chronic. For example, in 1952, the Ministry for Heavy Industrial Construction was forced to use personnel with practical training only in 61 per cent of its engineering posts; the Ministry for the Construction of Machine-Building Enterprises, in 52 per cent of its engineering posts. And if responsibility cannot be shirked, routine often provides a refuge.

Science and Soviet Ambitions

In sum, the selection, training and use of physical scientists and engineers in the Soviet Union reveals paradoxical strengths and weaknesses. The application of science on a vast scale is essential to the realization of Soviet ambitions, yet the Communist Party dare not trust the scientist and the engineer. The Soviet Union fears the West, yet depends upon its technology. Given these circumstances, the following conclusions may be advanced:

1. At the present time, the actual effectiveness of the Soviet Union in scientific innovation and application is far lower than might be indicated by the large numbers of its physical scientists and engineers, and by the immense Soviet effort in training and research.

2. In part, this gap lies in the failure to develop and apply increasingly good basic research. Thus, Soviet science warrants far closer study by the West than Soviet technology indicates.

3. Beyond this, the Soviets are creating a potential which, given appropriate social changes, might generate a technological revolution.

4. At the present time, the Soviet utilization of Western technology is limited by Western controls on information flow and exports. Moves toward the modification of these controls should be guided by careful assessment of Soviet technological strengths and weaknesses.

5. Finally, scientific and technical publications, including trade journals, are a channel of communication behind the Iron Curtain which the Soviet Union simply must keep open. This fact needs wider exploitation both as a means of ensuring a reverse flow of data from the Soviet Union and as a medium for the diffusion of a new hope for a world of peace.

The foregoing is full text of an address by Mr. Shimkin before the American Society of Mechanical Engineers in Baltimore on April 20, 1955.

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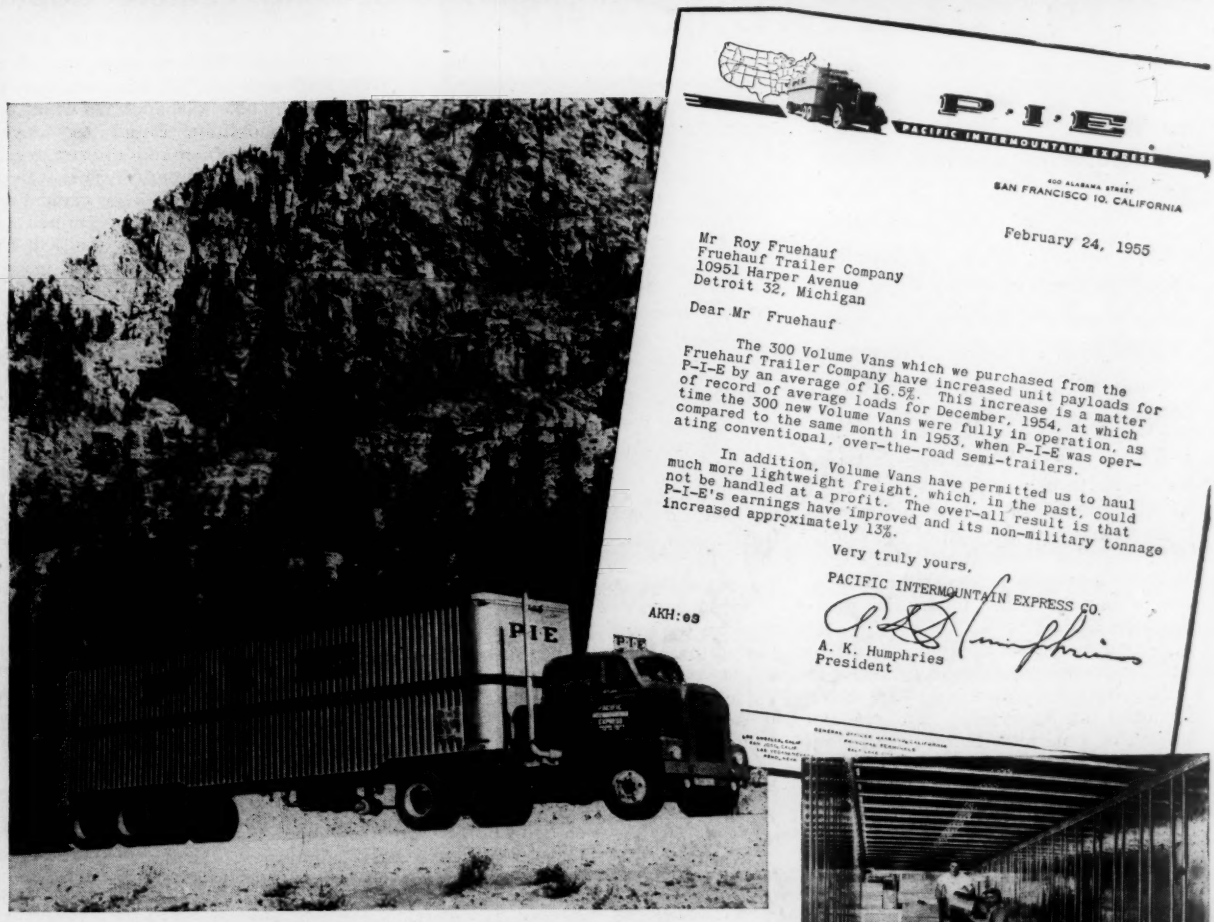
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COMING: BILLIONS IN NEW STOCK

Big Firms and Small Are Seeking Venture Capital

Investors are not the only ones interested in the stock market these days.

Corporations and their officers are, too.

It's been a long, long time since "pieces" of a corporation could be sold at more than bargain-basement prices.

The bull market means a chance for industry to get risk capital, instead of loans.

Industry, after many years, is turning again to a booming stock market for big amounts of cash needed for expansion and for payment of old debts.

In the first three months of 1955, corporations raised more cash through the sale of new stock than in any first quarter since 1929.

Behind the figures are these significant developments:

New ventures—often risky—are being launched into everything from uranium mining to sonic research on the strength of this opportunity to get capital in a traditional way.

Light and power companies are selling stocks to raise money needed for the generators and power lines required by a growing country, and to get on sounder footing by paying off fixed debt.

Well-established manufacturers, branching into new lines with new products and processes, are floating stock to pay for factories, modern machinery.

Small firms—seizing on opportunities offered by research in electronics, plastics, atomic sciences—are getting a start on capital that was to be had only by borrowing, or through high-cost stock issues, a short time ago.

What you find in these developments is this:

• Industry, more and more, is deciding that, for the first time in many years, investors in the shares of a corporation are willing to pay what an interest in the corporation is worth.

• Managers of industry, choosing stock issues over bond sales, are convinced that the funds they seek are needed on a permanent basis. New capital is being sought from new owners, not from lenders who sooner or later must be paid back.

• People with new ideas, new things to sell, now can get other venturesome people to take a chance on what looks like a good thing. Enterprisers, instead of mortgaging their entire future, can get financial backing from investors who will expect a return on their investment only if projects pay out. New ventures need not depend on investors who will have to be paid off with interest in good times and bad.

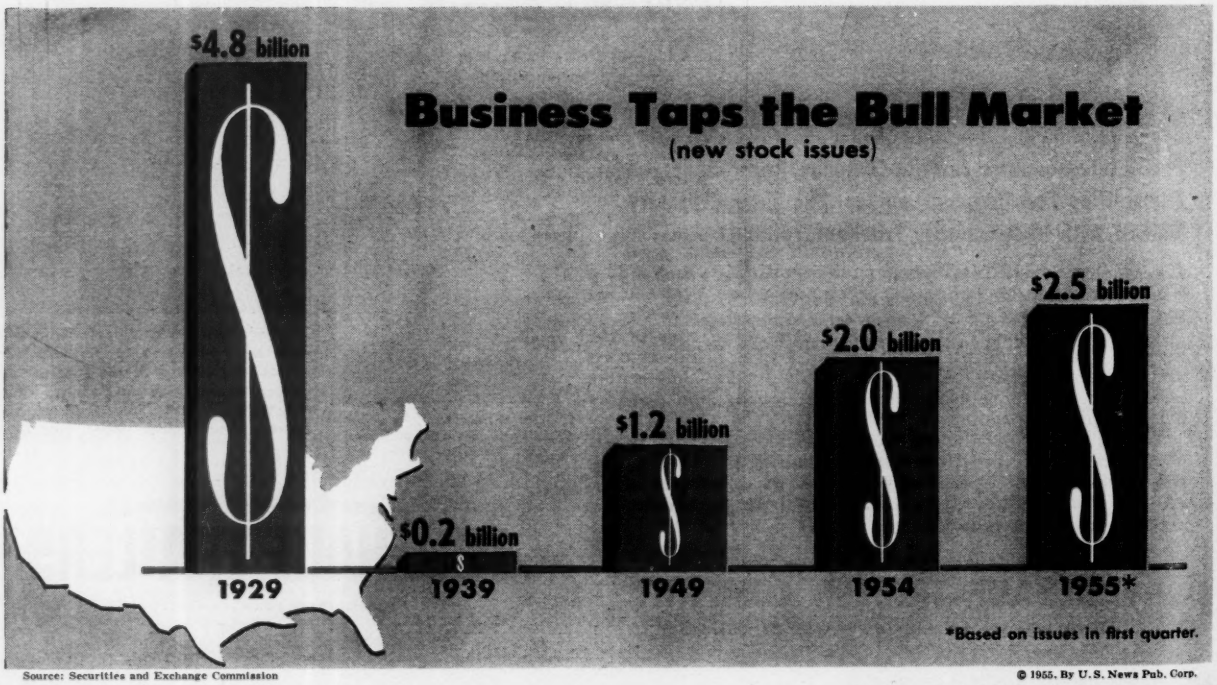
None of this, of course, means that—even in a record stock market—industry is switching entirely to equity financing. Huge sums still are being borrowed.

Still, industry is leaning to the sale of stocks, rather than bonds.

Who issues stocks? To see what is going on, take a look at the 760 million dollars' worth of common stock newly issued in the first quarter of this year.

Included in the new flotations were 110 separate issues of stock—plus a large number of small issues exempt from registration with the Securities and Exchange Commission. In the same period of 1953, there were only 78 new issues.

Small corporations, with unfamiliar names, accounted for 26 of these new issues—about 75 per cent more than in



Source: Securities and Exchange Commission

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the first quarter of 1953. Firms seeking to exploit promising uranium holdings, or fresh products, or new patents, all were represented. Now, in June, other companies like these are following suit.

Two mineral companies, organized only last year, have just announced plans for new issues of common stock to finance uranium exploration. The Fifteen Oil Company has registered for the sale of 200,000 shares of common stock to pay for exploration and development of its Texas oil properties. The 300,000-share offering of Air Control Products, Inc., was oversubscribed.

Dozens of other small firms are in the process of equity financing—or planning that kind of financing.

Big companies have not been left behind. Well-known corporations accounted for 19 of the new issues in the first quarter, usually with larger issues. In early 1953, big names were in the equity market with only four issues.

General Motors, with its big issue, was one of the corporations that decided on equity financing the first quarter. Others are coming along. American Machine and Foundry is offering some 7 million in new stock. Big steel companies have revealed that, if all goes well, they will float stock issues for expansion in months ahead.

Banks, meanwhile, for the first time in years have been encouraged to raise substantial amounts from stock sales. Banks have long complained of an inability to build up the capital needed to back up their deposits. Taxes prevented the raising of capital out of profits. Low stock prices discouraged equity financing. The bull market in stocks is changing this. There were 40 new bank issues in the first quarter, against 30 early in 1953.

More convertibles. At the same time, the rising demand for common stocks is bringing a rash of convertible issues—bonds and preferred stocks that buyers are permitted to convert into common stock.

American Telephone & Telegraph's huge 650-million-dollar offer of convertible debenture bonds to its stockholders is the seventh such issue by that company since World War II. Even before this latest effort, AT&T had raised more than 2.5 billion dollars in this way. Virtually all of the debentures have been converted into common stock.

Bethlehem Steel's offer of 192 million dollars' worth of convertible bonds to its stockholders is that firm's biggest public offering of securities.

Other big corporations which have sold, or planned, convertibles include W. R. Grace & Company, Southern California Edison, General Dynamics Corporation, Fruehauf Trailer Company.

As usual, too, in a high and rising stock market, there's a rush to sell large

(Continued on page 120)

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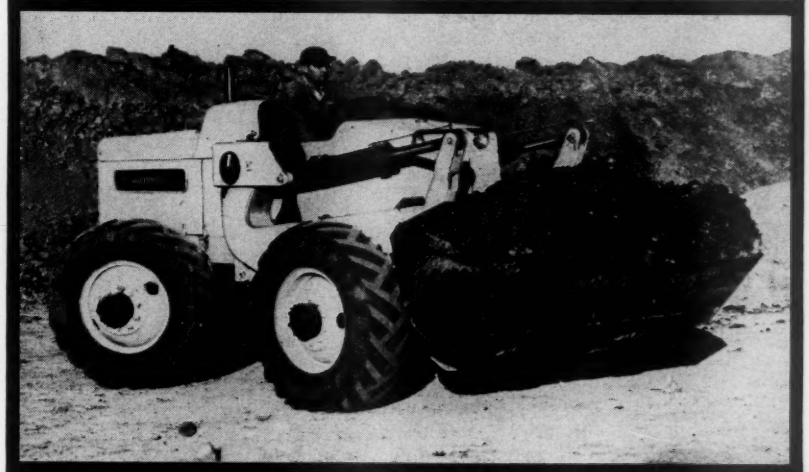

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There's a rush to sell stock held by estates . . .

blocks of stock held by estates or families.

Campbell Soup Company shares, offered to the public for the first time, were bought by 22,761 individuals, as well as by 3,120 institutions. Individuals bought more than a million shares —four out of five offered.

Now investors are waiting to see the terms on which a large block of Ford Motor Company shares is to be offered by the Ford Foundation.

Stocks vs. bonds. Why industry is turning to stocks is something that is explained in terms of costs.

For borrowed capital, cost is in terms of interest that must be paid.

For equity capital, industry reckons the cost in terms of dividends that are to be paid, compared with the price that can be obtained for a new share. When shares can be sold at prices that are high in relation to dividends that are being paid, equity capital is cheap.

Right now, industry finds that the cost of new equity capital is closer to the cost of borrowed capital than it has been in a long time. On the average, investors are willing to buy industrial shares for a yield of about 4 per cent, while the yield on high-grade bonds is a bit more than 3 per cent.

That still makes borrowed capital much the cheaper of the two—since interest on debt, unlike dividends on stock, is deducted in figuring corporation income taxes. Specifically, the tax effect is to cut the real cost of borrowing approximately in half. So the practical comparison of costs is 4 per cent for stocks against about 1.5 per cent for bonds.

Still, the long rise in stock prices has drawn those two costs close enough together to encourage industry managers to consider other factors.

First Principles. One result of all this is a renewed interest in some ideas that had been all but forgotten.

Interest on debt, it is being recalled, is an expense that corporations—that is, their owners—must pay to outsiders, to banks, insurance companies, others.

Dividends on stock, by contrast, are a sharing of profits by the owners.

On borrowed funds, in other words, owners must pay out cash, while on equity capital the owners take in cash.

Amounts that companies must pay for equity capital are larger than for debt, but the fact that those amounts are paid to owners is carrying increasing weight with corporation officers, directors and shareholders. The prospect is that, so

. . . Britons turn down capital-gains tax

long as costs of the two kinds of capital are not too far apart, corporations will lean more and more to the sale of new stock.

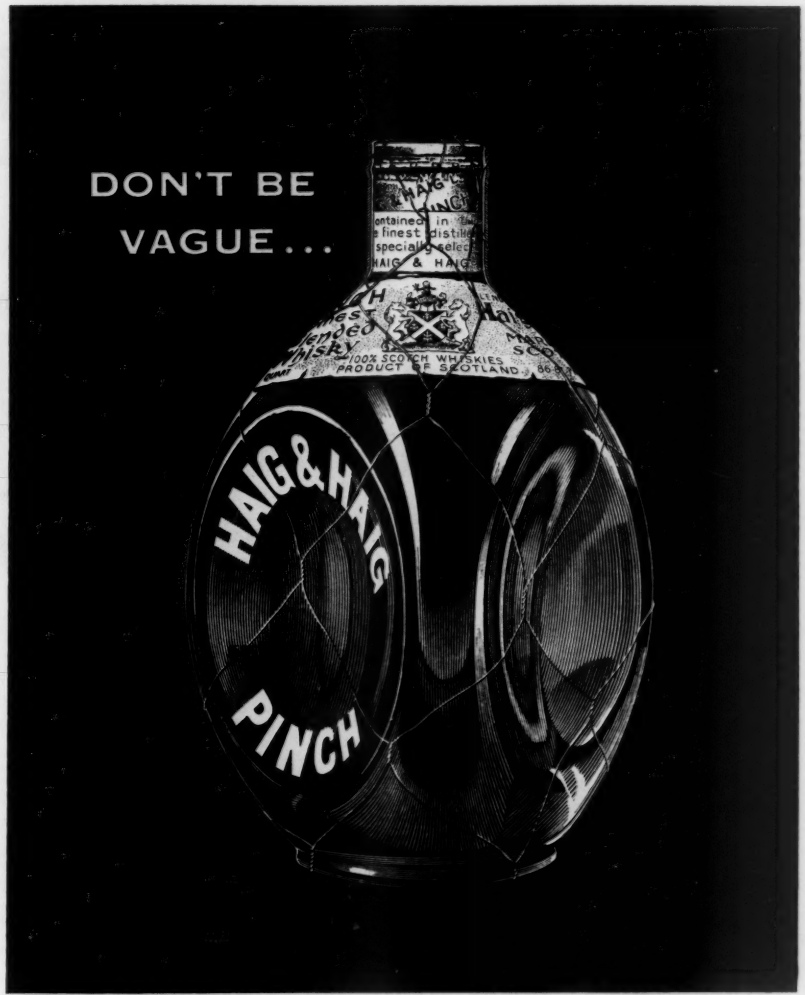
Actual volume of stock issues is to depend on industry's total needs for "outside" capital. For any given volume, though, it's expected that as long as stock prices hold high there will be more switching to stock issues.

› Reprieve. Britons apparently are to go on enjoying complete freedom from taxes on their capital gains—that is, on the profits they make from the sales of stock, bonds, homes, other assets. A Royal Commission has just voted, 10 to 3, against adoption of a capital-gains tax in Britain. Before turning thumbs down on the idea, the Commission spent four years studying the matter, including the workings of that tax in the United States.

› Big dividend payers. The New York Stock Exchange, which keeps track of such things, has announced the 25 companies that—among those listed on the Exchange—paid the most dividends on common stock last year. Total paid by the 25 was just over 2.6 billion dollars, 13 per cent more than in 1953. General Motors, paying out nearly 437 million to its shareholders, took over first place from American Telephone & Telegraph, which dispensed 415 million. Only newcomer to the list was Pacific Gas & Electric.

› Credit outlook. The more the experts talk about the growing prospects for tighter credit in the months ahead, the cheaper money seems to be getting. The 1.39 per cent paid by the U. S. Treasury last week on its 91-day borrowings represented a decline from 1.7 only a few weeks earlier. Rates that are paid for borrowing on short-term "commercial paper"—unsecured notes of business—have weakened after a long rise. One big finance company, at least, has reduced its rate.

Prices of Government's long-term bonds have been strong—and yields weak—at a time when there is considerable talk of impending credit-tightening action by Government, and of a new long-term Treasury bond in July. The Treasury's 30-year, 3 per cent bond rose in price from 100 20-32 on May 20 to 101 13-32 on June 8, and the long 3 1-4 from 106 24-32 to 107 4-32. In the Treasury list, only the medium-to-short securities have been weak, and not very weak at that.



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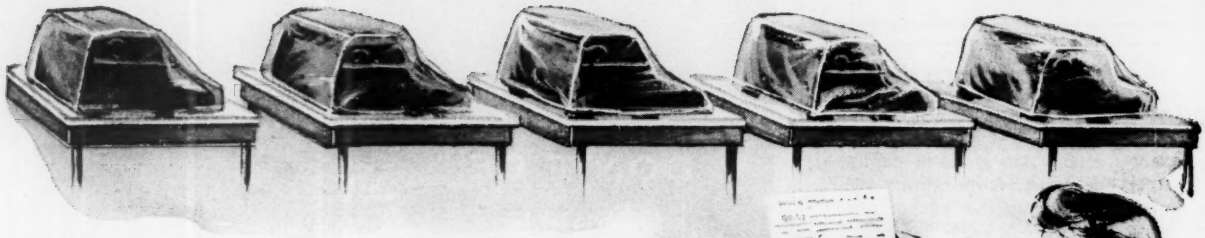

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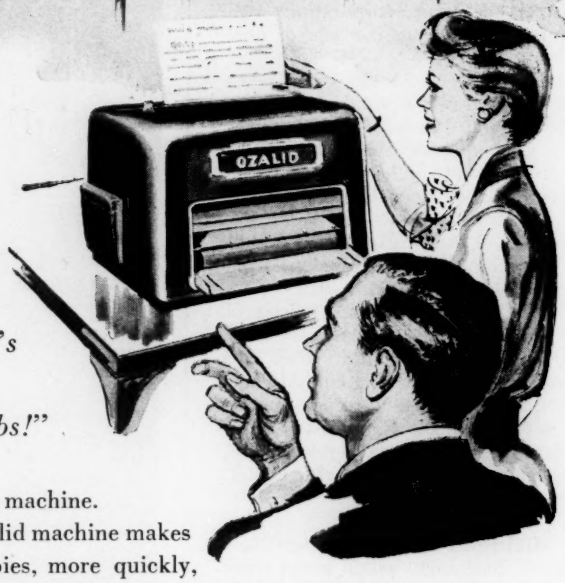

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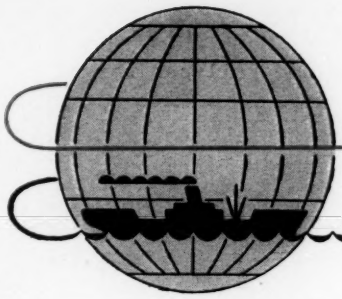

Business Around the World

LONDON • NEW YORK • RIO DE JANEIRO • GENEVA

›› It's the external effects of the British strikes that hurt most.....

The delay in deliveries of exports.....the need to step up imports of coal and probably steel.....the canceled visits of tourists.....

This is the season when Britain usually piles up fat foreign earnings against the lean months ahead. But even before the strikes there was little fat accumulated. Now strikes have hastened the lean season.

›› British prosperity this year and last hasn't really been robust.

Business activity has pushed higher and higher to new records. But most of the product of British factories has been bought at home. Exports have not shown much of a bulge, though imports have. This is a cause for concern.

Wages and manufacturing costs, on the uptrend, will continue to rise.

Competition in world markets is fierce. Keeping down British costs and prices is a necessity. Exporters relied perhaps too much on quality. They were criticized for late deliveries against orders even before the strikes.

Competitors, such as the Germans and Japanese, are not plagued with strikes. They are the real gainers from paralyzing British strikes. Some orders have been canceled in Britain, shifted to suppliers in other countries.

Rhythm of British production is upset by the maldistribution of stocks caused by the rail and dock strikes. Imports of coal and steel now will have to be stepped up, in all probability.

Heavy consumer demand in Britain, pressing against inadequate and depleted inventories, can spell trouble at retail levels. Installment buying of cars continues at very high levels, despite stiffer terms imposed last February.

The Eden Government walks a narrow path in trying to avoid new controls and still keep domestic demand within bounds.

Surging strength in the London stock market indicates that many investors and speculators believe the inflationary trend in Britain is here to stay.

›› British strikes have also caused cancellation of tourist-ship sailings.

Inconvenience to tourists is obviously considerable.....both to those stranded in Britain and those who intended sailing from North America.

Berths are so hard to get that Britain may lose many tourist dollars this season. The British count on tourists as a major source of income.

American tourists are in the minority in a Europe swarming with travelers, but their greenbacks attract the most attention.

At the height of the season this summer, Europe's tourist spots will be really "busting out at the seams." Even now, European hotels and railroads seem inadequate to meet the demand in some places.

(over)

The system of "make do" with the patched-up hostelry and railroad car of ancient vintage is showing its limitations this year.

A number of European governments are beginning to realize the tourist industry needs a big injection of capital--not just a new bucket of paint. Americans, too, see opportunities. In building hotels, for example.

Also, Europe on the move as never before must have new and better roads, more gasoline stations, more snack bars. The motor age is dawning in Europe. It's not only the makers of cars and motor scooters who will tell you that.

>> Another attempt to "stabilize" coffee prices is being made by producers.

International Coffee Bureau, recently set up by 16 Latin-American coffee countries, has just proposed a quota system to limit coffee exports.

Idea is to equate exports and world consumption. Producing countries would stockpile surplus coffee and feed this out if consumption increased.

Aim is said to be a more stable coffee price than has been seen in the last 18 months of wild fluctuations.

U.S. roasters, however, see it differently. Coffee stocks in the U.S. are pretty low. Immediate reaction of roasters was to start buying coffee as a hedge against the imposition of quotas--and higher prices.

>> But roasters are not scrambling over each other for coffee. That's because the 16 Latin-American governments still have to accept the quota idea.

The planned stockpiling of more than 3 million bags of coffee will cost a lot of money. And concerted action by Latin Americans never comes easily.

Coffee-export quotas were part of the Inter-American Coffee Agreement during the war and immediate postwar period. But the U.S. was a member of that agreement and really kept it going.

The U.S. has nothing to do with this new idea and will keep hands off.

African and Asian coffee producers are invited to join in the proposed quota system. But, if the Latin-American producers go ahead and restrict their exports, there's not much reason for others to do likewise. A Latin-American umbrella would be a great convenience for other producers.

African producers have been taking a larger and larger share of the world market in recent years. They aren't thinking in terms of restrictions.

>> Japan now is to get a chance to become a member of the international trade club called the General Agreement on Tariffs and Trade. GATT has 34 member countries which meet periodically to swap tariff cuts and to smooth over other trade problems. GATT members are to vote this summer on Japan's admission.

To make Japanese trade easier, the U.S. and 16 other GATT members have just negotiated a series of tariff concessions with Japan.

For instance, the U.S. got concessions from Japan on items valued at 397 million dollars, or about half of the total U.S. exports to Japan in 1953.

Japanese import duties will be reduced on automobiles, lubricating oils, business machines, fruit juices, lard and other products.

In return, the U.S. gave concessions on goods worth 179 million dollars, including lower import duties on inexpensive cotton textiles, certain tuna products, earthenware, toys, and chemicals. These cuts are moderate and U.S. State Department officials don't expect them to jeopardize domestic industries.

Britain with textile exports lagging, avoided the Japanese tariff talks.

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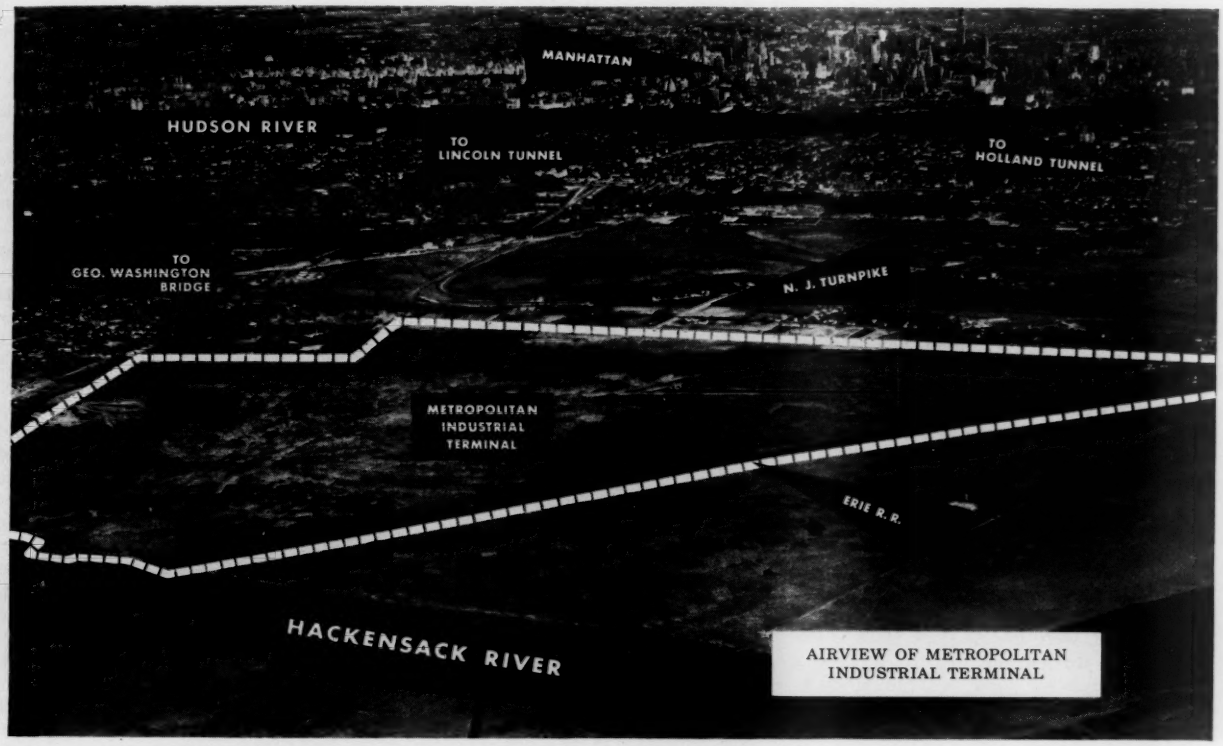

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Latest Indicators of Business Activity

Business activity has forged ahead to a new high amid signs of growing optimism on the part of businessmen, investors and the general public.

Factory output, at 140 on the indicator in the week ended June 4, is above the peak of July, 1953, high point that preceded the 1953-54 recession. Auto output recently has fallen off, but gains in other industries have more than offset this loss. Steel operations are at 97 per cent of capacity.

Retailers reported May sales at a rate of 183 billion dollars per year. That equaled the April record and was 9 per cent above a year ago.

Carloadings ran 16.6 per cent ahead of last year in the week ended June 4, biggest gain this year.

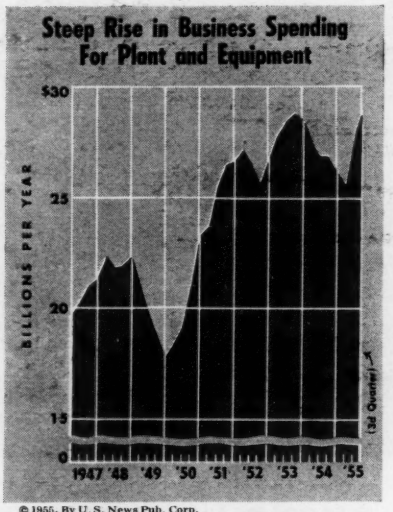
Insured unemployment late in May was down more than 100,000 from early in the month. Layoffs, measured by new claims for unemployment compensation, were lowest since 1953.

Industrial stocks mounted to a new record high on June 9. Trading on the New York Stock Exchange was the largest in more than two months.

Business spending for new plant and equipment, shown in the top chart, is planned at a rate of 28.8 billions per year for the third quarter, 12 per cent higher than the rate in the first quarter and 7 per cent above the third quarter of 1954. The third-quarter rate equals the peak in 1953.

Manufacturers plan to spend at a rate of 11.3 billions per year in the third quarter, up 11 per cent from the first quarter and 3 per cent above the third quarter of 1954. In this year's third quarter, planned expenditures are 20 to 30 per cent above amounts spent last year by industries producing steel, nonferrous metals, chemicals, non-electrical machinery, rubber products, building materials.

Public utilities plan to spend at a rate of 4.8 billions per year in the third quarter, 19 per cent above the first quarter of 1955 and 16 above the third quarter of 1954. New expansion goal of electric utilities calls for a 30 per cent increase in productive capacity from the end of 1955 to the end of 1958.



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Source: Securities and Exchange Commission and Commerce Department

Railroad, aircraft and other transportation industries plan to spend at a rate of 2.5 billions per year in the third quarter, 13 per cent above the first quarter, 7 per cent above the third quarter of 1954.

Commercial firms and other miscellaneous types of business have set their sights for a spending rate of 9.3 billions per year in the third quarter, up about 10 per cent from the first quarter and last year's third.

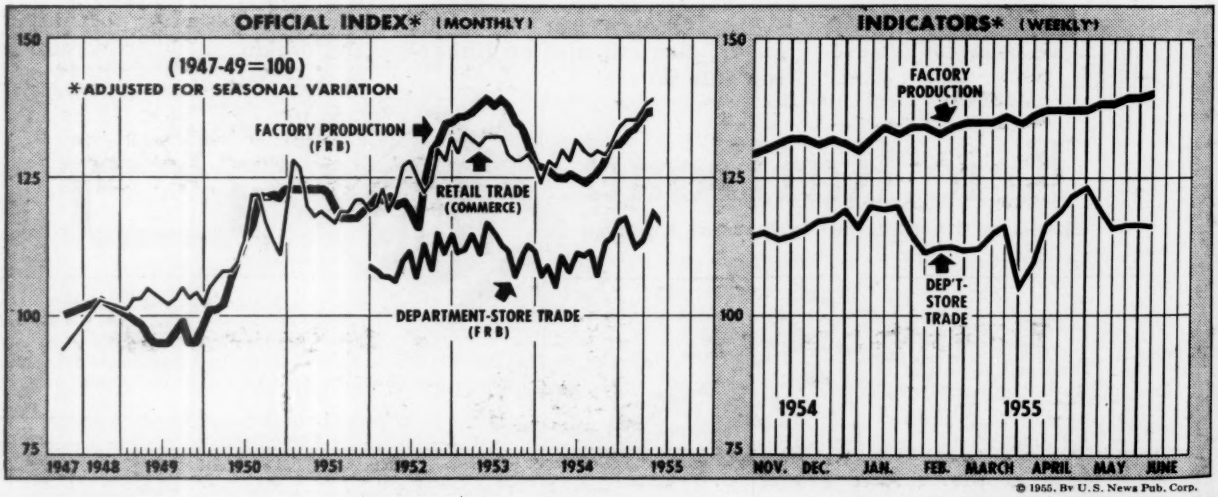
Incentives to expand and modernize are strong at this time.

Dollars available to business are increasing. Business sales and profits are rising, and so are amounts added to depreciation reserves. Under 1954 amendments to the tax law, the Government allows new purchases of plant and equipment to be written off more rapidly in tax returns. Now that stock prices are up, the sale of stock for new capital is increasing.

Need for cost-cutting machinery is felt keenly by industry. Labor costs, now rising rapidly, are spurring the search for laborsaving methods. Unemployment has dropped below 2.5 million. From now to 1960, the U. S. labor force is to grow more slowly than total population.

New types of machinery and equipment are coming on the market at a fast rate. Utilities already are ordering nuclear reactors, airlines want turboprop and jet planes. In factories, giant presses, electronic devices for controlling the flow of production, and industrial television are coming into wider use. Railroads are ordering "piggyback" freight cars, and now want new lightweight passenger trains.

A ferment of change in technology is under way. As business buys new machines and equipment, it looses a strong expansive force in the economy.



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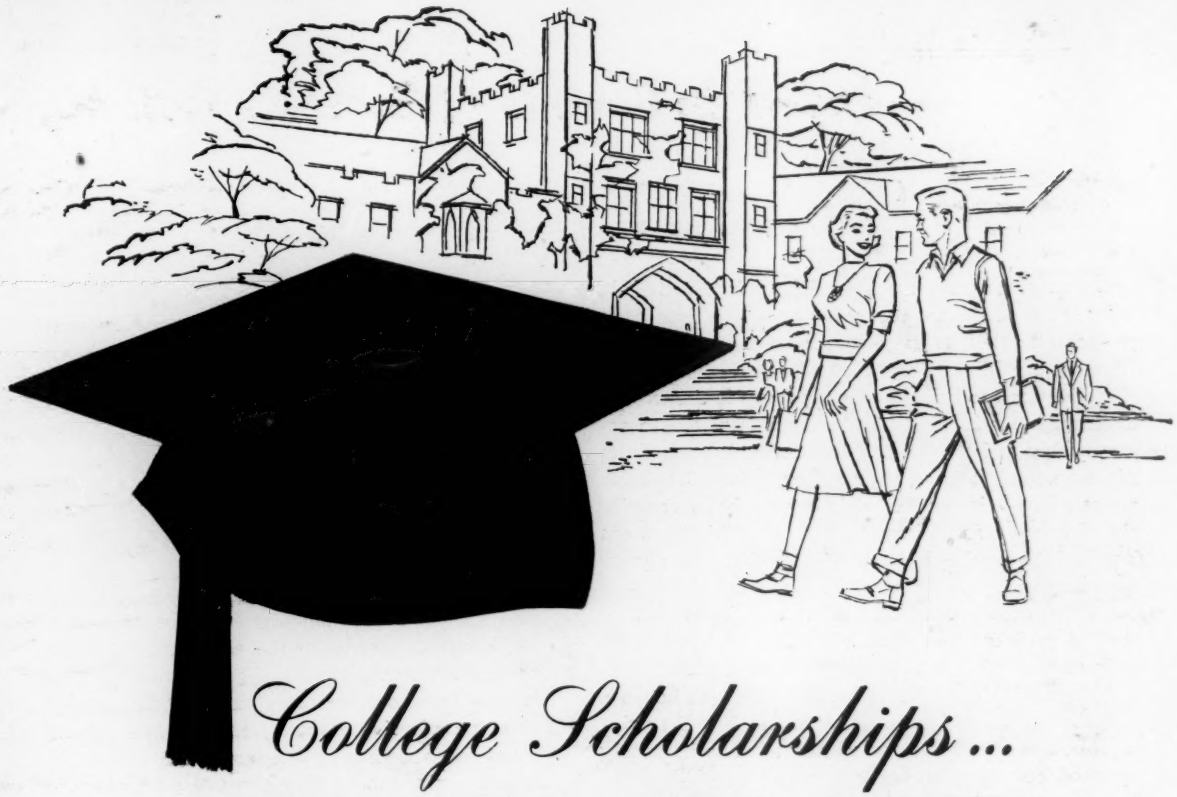

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A GUARANTEED ANNUAL PROFIT?

BY DAVID LAWRENCE

LABOR-UNION STRATEGISTS have finally forced the big auto companies to recognize the principle that they are obligated to pay wages to their employes when they are idle.

There is much to be said in sympathy for the worker who, through no fault of his own, is compelled to accept hardship as he waits for the production schedules of his employer to be readjusted each year. Hitherto employers in all industries, as a group, have contributed to unemployment insurance funds. This has been a form of humanitarian relief—not a direct charge against any one business.

But the union contract with the Ford Motor Company provides that an individual business must supplement existing unemployment insurance funds by direct grants. The plan is hedged about, to be sure, by certain safeguards and qualifications, but the principle of a direct subsidy for work not done is clearly established for the future.

The implications of this radical change are far-reaching. Not only does it start an upward spiral of prices, increasing the transportation costs of the people, but it tends to reduce the number of competitors in business.

What shall we do, also, about the plight of those companies which are not in a class with Ford, Chrysler and General Motors—the smaller companies which are having a hard time anyway competing with the larger enterprises in their field? Shall we see the "big three" swallowing up the marginal companies?

We are told the antitrust laws would be invoked to prevent such a monopoly. But this does not solve the financial problems of the smaller companies. How can they possibly meet the added expenses being forced upon big business by big unionism? There has always been a tendency on the part of labor-union leaders to aim for uniformity of pay scales throughout an industry. Today more small businesses have been forced into mergers with the larger companies as a result of union pressure for higher and higher wages than because of any other single economic reason.

If it is the obligation of each of the more successful companies to finance unemployment insurance out of their current earnings, how soon will it become the obligation of the Government—that is, the taxpayers—to subsidize the marginal companies which otherwise might have to go out of business?

It can be argued with equal logic that, if it is the responsibility of the employer today to pay out of his own pocket a large percentage of the regular wages to his men when they are not working—and, hence, when they are not producing goods—then it is the duty of the Government to see to it that all the other workers get a comparable subsidy, too, when unemployment comes.

This is in line with the concept of a welfare state which is being espoused under the leadership of our socialistic brethren who are so dominant in the councils of the Democratic Party.

It seems to be old-fashioned nowadays to argue that men should not be paid for work not done. It is held to be out of step with the times to argue that business shall remain entirely on a private-enterprise basis. Yet how can we expect businesses to survive under private management when the socialistic trend is so definitely spelled out by recent developments—extortion of large sums of money for work not done? The penalty for refusal is a greater loss of earnings through work stoppages ordered by union leaders. "Negotiation" is just a euphemism for modern blackmail.

How long is the American economy going to be dominated by a labor-union monopoly which insists on setting wage levels in an industry on the basis of what the larger and more successful units can pay?

There seems only one answer in the offing—participation by the Government in a formula designed to guarantee workers against unemployment. Where it cannot be done through earnings in the case of companies operating in the red, some kind of subsidy will be urged. Will it be paid into a government fund by the larger companies, as they are ordered to help guarantee an annual profit for their competitors? Or will it come from the taxpayers as a whole?

Plainly we are facing some fundamental decisions of policy that can change the whole nature of our private-enterprise system.

The guaranteed annual wage for work not done has a logical corollary—a guaranteed profit to every company which fails to make the grade, giving it money not earned. For the recent agreements in the auto industry proclaim a new doctrine—somebody now must guarantee every worker not only a job but a steady flow of money for services never rendered.

How long can that fallacy be sustained in American private enterprise? And how long before State Socialism picks up the pieces?

Robert directs Ralph Bellamy in an entertaining role

An actor of considerable parts, Mr. Bellamy has starred in over 80 films, solved countless baffling cases as one of television's top sleuths, and has lately appeared in a succession of stage hits.

But in his more private role of the good host, he was recently most pleased to get some expert advice from Robert Anthony, our Walker's DeLuxe butler.

Robert covered every step in the making of superlative old-fashioneds, with special emphasis on the most important step of all: choosing your whiskey.

As we all know, no drink can be better than the whiskey used in it. And this is the very reason why we suggest Walker's DeLuxe for every drink you order or make. Walker's DeLuxe is Hiram Walker's finest bourbon—aged 7 years in oak, and elegant in taste.

It is one of the world's great whiskies.

Why not take your cue from Ralph Bellamy and enjoy Walker's DeLuxe yourself, soon?

7-year-old **Walker's DeLuxe** *– the most elegant whiskey you can serve*

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